JULY 27
1935

BUSINESS WEEK

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NEARLY THREE MILLION HORSEPOWER NOW IN SERVICE

The Business Outlook

BUSINESS has more vitality this summer than even the most sanguine expected. *Business Week's* index of general activity jumped to 64.4$\%$ of normal during the week ending July 20, widening the spread over 1934. Electric power production hit a new high for the year, being 5$\%$ better than 1929. Steel production, continuing to climb, is now above 42$\%$ of capacity. Steel scrap prices, barometer of steel prospects, are rising. Motor makers are prolonging the 1935 production season because of excellent consumer response. Furniture manufacturers look forward to brisk autumn sales. Retail sales are improving. Farmers, with good crops in sight, are spending money for fences, farm equipment and machinery, automobiles, and dry goods.

> ***FARM INFLUENCE***
>
> ***Farm buying is a factor in this summer's sustained business activity. Steel feels it in demand from farm implement makers; motor producers see it in car sales; mail-order houses reflect it in substantial sales gains; and zinc markets give it credit for better demand for galvanized wares.***

Factory Jobs Down

As expected, June factory employment and payrolls dipped from May levels. Seasonal declines are apparent in metal-working industries, textiles, shoes, and trade channels, and protracted labor difficulties on the West Coast are unsettling factors. Increases appeared in machine tool plants and those supplying building materials. Anthracite and bituminous coal producers increased forces in June when operations were boosted by strike threats. Increased hours lifted payrolls more than 30$\%$, compared with May. Apparently, no widespread wage-cutting followed the demise of NRA, except possibly in textiles, which have not shared in the summer revival.

Seasonal Dip in Construction

July construction is off somewhat from June levels—a normal seasonal reaction. For the first half of the month, residential awards were down almost 10$\%$ from the May daily average, but they already surpass the entire month of July, 1934. Non-residential activity, which has shown promise in the past 2 months by leading both residential and public works in volume, fell 11$\%$ from May levels, and 13$\%$ from last year's average. Public works still foot the list, having shrunk 15$\%$ from both last month's and last year's levels.

Lumber Production Gains

Lumber mills in mid-July report production 38$\%$ higher than a year ago; shipments 64$\%$ better; new orders 68$\%$ ahead. June hardware sales jumped 17$\%$ ahead of 1934, bringing sales to the highest point in 4 years. Midwest and Pacific Coast states show up best against last year; New England states, worst. Cement production and shipments have risen steadily since the first of the year, though the first half failed to surpass that of 1934.

Steel Leads the Way

Steel's extraordinary pickup in pace is lending the same encouragement to midsummer business that motors did in the spring. Jobbers, tin-plate makers, railroads, farm implement manufacturers, and a host of miscellaneous consumers are contributing steadily to the accumulation of orders. Even motor producers have reentered the market. Ford's requirements have been increased for new-model production, scheduled to begin in mid-August.

Concessions to Ford?

If any price concession was won on last week's Ford business, it is still a secret. Trade journals concede nothing but deviations from "standard extras," a practice that persisted even in code days. Price irregularities among distributors of steel products are more frequent, ranging from 10¢ a ton to \$1.50.

More Freight Cars Bought

Railroads ordered 5,151 freight cars in June, contrasted with 2 in May, but the first 6 months' buying was only 6,583, against 23,383 in the first half of 1934, according to *Railway Age*. Rail tonnage, however, is doing better than was expected, considering the season. Structural steel awards so far this year stand 18$\%$ under last year's figure, but steel looks forward to August bidding on a Los Angeles public works inquiry for reinforcing bars—expected to be the largest such inquiry in history.

Motors Keep Up

Motor production continues to hold around 83,000 units a week. June output in the United States and Canada topped 377,000, more than was expected. In 6 months the industry has produced 2,373,471 cars, a 32$\%$ increase over the first half of 1934. July may fall under 300,000. August looks better than it did a few weeks back. Consumer demand, especially from farm markets, may keep assembly lines busy on 1935 models until September. Packard is running at capacity after a second quarter that brought the first half of 1935 into the black; in the comparable period last year Packard chalked up a \$3-million loss.

Textiles Dragging

Confusion over rebating of processing taxes still reigns in cotton textiles. June cotton spinning activity dropped to 74.6$\%$ of capacity, compared with 83.4$\%$ in May. Cotton consumption by U. S. mills declined 3$\%$ in the first half of 1935, compared with the same period of 1934. The 95$\%$ increase in wool consumption shown on First Half Round-Up (page 7) partly reflects the low level reached in 1934. Labor difficulties over wage increases now beset the industry.

Coal Below Last Year

Coal production recovered from the holiday level, but will probably continue below 1934 for several weeks. The strike truce expires again on July 31, with the Guffey bill still pending in Congress.

Power Production Is Feature

The rise in electric power consumption this year, particularly in the summer months, has been a bright feature of business records. During the week ending July 20, output passed the 1.8 billion kw.-hr. level for the first time since January, 1930. It stands nearly 9$\%$ higher than a year ago, with every region of the country consuming at least 6.5$\%$ more than in 1934. The 31$\%$ gain in the Rocky Mountain area represents two things—power required in dam construction, and more mining.

Sears Makes Big Gain

During the 4-week period ending July 16, Sears, Roebuck reported a 39$\%$ increase in sales over the preceding period—largest percentage gain of the year. Dollar sales were the best for the period since 1929.

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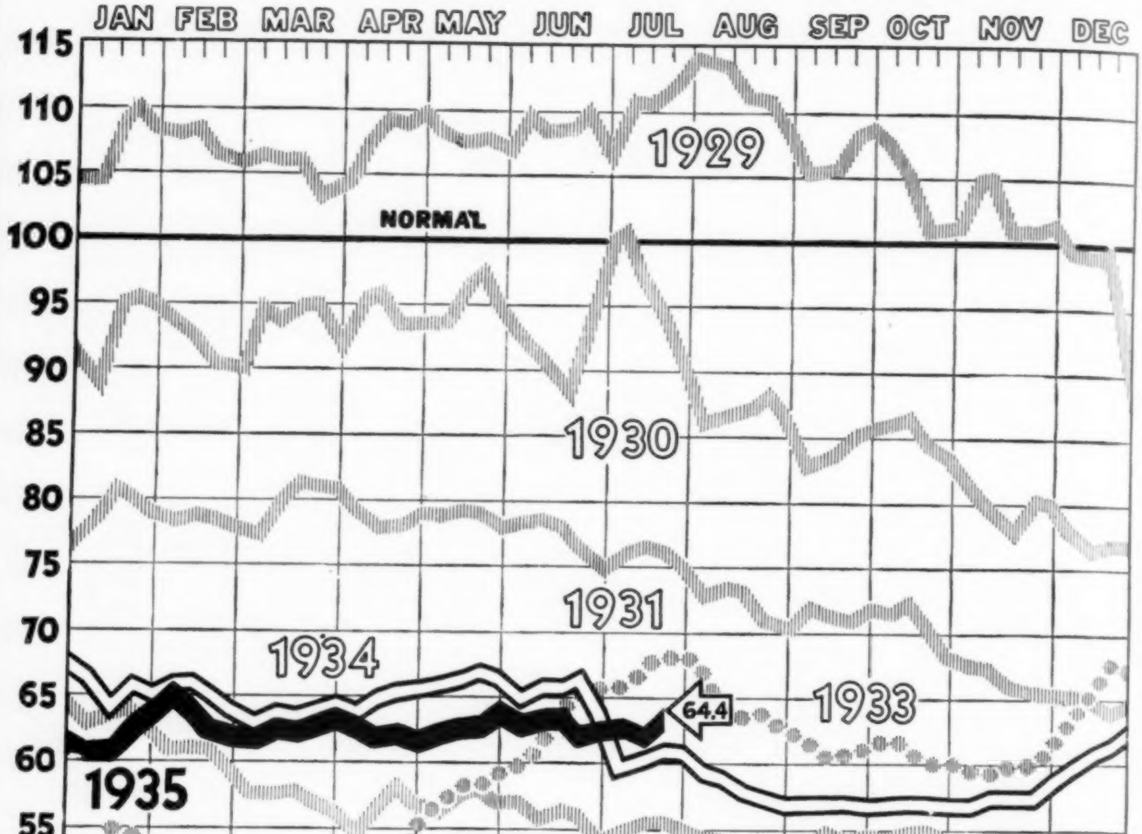
WEEKLY INDEX OF BUSINESS ACTIVITY



	Latest Week	Preceding Week	Year Ago	Average 1930-34
BUSINESS WEEK INDEX	*64.4	†62.8	61.6	71.5
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	42.2	39.9	27.7	38.1
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$6,012	$5,912	$5,162	$9,855
★ Bituminous Coal (daily average 1,000 tons)	*769	†513	969	1,052
★ Electric Power (millions K.W.H.)	1,807	1,766	1,664	1,613
TRADE				
Total Carloadings (daily average 1,000 cars)	94	94	101	115
★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	64	67	64	75
★ Check Payments (outside N. Y. City, millions)	$3,783	$3,124	$3,511	$3,936
★ Money in Circulation (daily average, millions)	$5,538	$5,570	$5,342	$5,151
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.95	$.93	$.99	$.74
Cotton (middling, New York, lb.)	$.122	$.124	$.130	$.104
Iron and Steel (STEEL, composite, ton)	$32.42	$32.40	$32.28	$30.92
Copper (electrolytic, f.o.b. refinery, lb.)	$.078	$.078	$.088	$.082
All Commodities (Fisher's Index, 1926 = 100)	81.7	81.6	78.1	72.5
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,473	$2,478	$2,467	$1,812
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$18,762	$18,414	$17,757	$16,921
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,471	$4,435	$4.439	‡$4,897
Security Loans, Federal Reserve reporting member banks (millions)	$3,034	$3,019	$3,522	‡$3,817
Brokers' Loans, Federal Reserve reporting member banks (millions)	$1,045	$1,028	$1,137	‡$887
Stock Prices (average 100 stocks, Herald Tribune)	$103.88	$103.44	$97.59	$111.82
Bond Prices (Dow, Jones, average 40 bonds)	$96.96	$96.92	$95.12	$89.52
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	¼%	¼%	1%	1.5%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾%	¾%	¾-1%	2.0%
Business Failures (Dun and Bradstreet, number)	215	199	234	431

* Preliminary † Revised ★ Factor in *Business Week* Index ‡ 1932-34 average.

Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—Congress seems set for another battle with President. Opinion leans toward excess profits tax, away from President's "better social order" scheme for sliding scale tax on net earnings. It's too soon to forecast result, but chances are at least even that Roosevelt's entering wedge to break big corporations into little ones will fail.

If excess profits plan triumphs, levies will be based on capital as declared by corporations in 1934 and, as under World War tax set-up, sliding scale will apply to percentage earned on that capital. Thus companies which held down their capital declarations last year, figuring that was best for tax purposes, may be pretty hard hit. Conversely, companies which boosted for same reason will be sitting pretty.

CLOUDED TAXES

With Administration fairly triumphant on AAA amendments, it is still doubtful if processing taxes will pass Constitutional test. Legal opinion here is that formula for changing taxes if and when commodities touch "parity" prices to farmer may jeopardize them. It prevents them from being clearly of excise variety, shows another objective. Congress could have avoided difficulty by eliminating parity formula and putting taxes in another bill. But that would have held them up as sales taxes on poor man's necessities—bad medicine politically.

House Starts Low

Ways and Means Committee will propose one of the lowest scales of inheritance and gift taxes suggested by Treasury Secretary Morgenthau—one designed to raise an estimated $118 millions annually as contrasted with top schedule designed to yield $728 millions.

President Emphasizes Method

Progress of tax bill is held up by failure to agree on collection methods —when to compel payment of inheritance taxes, how to protect government's interest in estates prior to distribution, etc. President continues unworried about amount of money to be raised, but eager to get a leg on the anti-bigness rubber by establishing principle of inheritance tax and sliding scale corporate levies. Thus, he will not oppose Congress because inheritance schedule is lower than desired, but will fight to limit to prevent substitution of excess profits tax for his own plan.

Tax Propaganda Next

Senate lobby investigation will turn to big business propaganda against tax bill. Senator Schwellenbach and other radicals are up in arms over publication here of Steel Institute's claim taxes take 66¢ of every dollar of net income. Story was printed in *Washington Post* without credit to *Steel Facts,* Institute magazine, hence regarded by New Dealers as "insidious propaganda."

Good Drive, Dumb Putt

Utilities "drove on the green and then putted out of bounds," in opinion of most observers. They overlooked fact that mere volume of mail and wires was not what counted but messages from people congressmen knew or knew about in their own constituencies. Just another chapter in long story of public utility blundering on public relations.

Deflating Amendment Pressure

Employment gains in 35 industries and payroll increases in 41 (despite normal seasonal decline) since Supreme Court knocked out NRA surprise friends and foes of Blue Eagle alike, tends to take steam out of pressure to amend Constitution. President, however, still plans eventual campaign for amendment.

New Road Project

In addition to the $800 millions earmarked for highways, a $480-million farm-to-market road program, as an adjunct of WPA, has reached talking stage. Total will be pared, but plan appeals to President and Hopkins as affording employment to 600,000 men at average cost of $800 per man-year.

More Pump-Priming

Continued work relief or dole is inevitable. So budget cannot be balanced for year beginning July 1, 1936. Despite his confidence last January that $4-billion bill was pump-priming to end all pump-priming, even Roosevelt now begins to hedge.

Cotton Loans Questioned

A tiny cloud appears on horizon of 12¢ loans for cotton. Likelihood is they will still continue to be made, but some New Dealers now question wisdom of the policy.

Horse Trade

Restoration of original multiple seizures section in food and drug bill is out of the question, despite strong case made for it in House Interstate Commerce Committee hearings. It's the old horse trade all over again. Drug Administration has to scare up some threat to match opponents' demands, if few remaining teeth in bill are not to be pulled on House floor. Probability is measure will eventually pass pretty much as is.

High Hurdles Ahead

Some plan for railroad pensions will be worked out by Coordinator Eastman—later. But neither Brotherhoods' bill now pending on Capitol Hill nor any other bill so far proposed is receiving White House support, for President does not think they show promise of taking the hurdles set up by Supreme Court's 5-to-4 decision against former measure.

As Rhode Island Goes—

Election in Rhode Island district to fill House vacancy, Aug. 6, will give Congress clear line on Roosevelt's strength in textile sections. Big Democratic victory will affect every House and Senate vote thereafter. Big Republican victory will deflate White House power on Capitol Hill beyond all exaggeration.

Political Acres

Politics always wins—even in putting over reclamation during a crop reduction campaign. Last snag was removed from $100-million reclamation program by giving Tugwell $34 millions to take 5 million acres out of cultivation. One million of these offset 100,000 fertile acres reclamation will bring in; other 4 millions cancel out much land brought under cultivation in last few years.

Tydings Not Joyful

New Dealers devoutly hope ex-Governor Pearson of Virgin Islands, now installed in housing job under Ickes, will not be assigned to any slum clearance or better housing projects in Baltimore, big town of Senator Tydings. The "Free State" Senator is not placated by Pearson's removal, and is still out of sympathy with most New Deal ideas.

CHEESE and mayonnaise demand quick delivery from plant to consumer. Orders must be written, received and filled with SPEED and ACCURACY. So Kraft-Phenix several years ago connected its New York sales office with its Jersey City, N. J., mayonnaise kitchen and cheese plant by Bell System Teletypewriter Service.

Now, orders are teletyped to the plants as fast as they reach New York. The sending machine makes four copies—original invoice, bookkeeping, statistical and office—on printed forms like those illustrated. Simultaneously, the receiving machine in Jersey City prints four additional copies—shipping order, delivery receipt, packing and office. . . . Eight copies filled in at a single typing. All accurate, identical records. No rewriting or checking.

Says Kraft-Phenix: "The Teletypewriter has increased efficiency, cut costs. Orders flow smoothly from office to factory. There are fewer peaks and valleys in production. And practically all perishable items are on their way to wholesalers *the same day* they're manufactured."

In addition, Kraft-Phenix has Teletypewriter connections between the main office in Chicago and fourteen divisional offices and factories. . . . The speed and accuracy of the service, so valuable to Kraft, may be equally adaptable to your business. Call your local Bell Company for full information.

BUSINESS WEEK

JULY 27, 1935

Figures Make News

Earnings statements now support other trend indicators that point to recovery, while summer power sales show pace is being held even in "dull season."

WHILE Washington captured the big headlines this week, as usual, astute business men were finding big news in figures that, for them, needed no headlines.

First earnings reports from important companies were confirming *Business Week's* roundup of market barometers to show that the first half of 1935 was the best since '31, decidedly better than '34.

Remarkable figures on electric power sales since the turn of the year were confirming the belief that this activity is being maintained with a strength unusual for the so-called summer slump.

Not inclined to overplay this news, business leaders concluded, nevertheless, that it indicated a definite broadening-out of the slow tide of recovery.

Earnings Move Up

Reports from 50 leading companies show 22% gain for 6 months.

CORPORATION earnings moved up one more step from depression's gutter in the first 6 months of 1935. A tabulation of reports from 50 leading companies prompt to report results (page 6) shows a composite gain of 22% over the same period of 1934.

The automobile industry, smartest gambler on industrial revival, imprinted its influence upon the profit history of a great segment of business during this period. However, broadening of the recovery shows in better results for concerns supplying the building trades, manfacturers of equipment, of semi-luxury consumer goods.

Chrysler's report is a spectacular automotive example, with a 6-month net income greater than any full year's since 1929 and coming pretty close to that cherished level—$18.8 millions against $21.9 millions. Licking costs and attaining a record of unit sales accounted for this showing.

But look at the long list of companies supplying something to motor manufacturers or the motoring public. Houdaille-Hershey got back to 1929 earnings levels with its 144% gain. Stewart-Warner rang up an 89% increase in profits, refrigerator sales helping and careful cost controls by the new management showing results. Libbey-Owens-Ford Glass not only came in for a good business with Detroit but picked up window glass volume on construction upturn.

Among the steel companies so far reporting, those serving the motor trade recorded advances — Midland, 123%; Otis, 18%. Gulf State, dependent upon Southern business, took a loss.

Biggest individual gain was shown by Union Oil of California, which benefited from the price stability the Pacific Coast marketing agreement provided in the first half and recorded almost 10 times the earnings of 1934. Atlantic Refining, operating on the Atlantic Coast where price-cutting was worst last winter and spring, went down 91%.

Johns-Manville with a 359% gain bears testimony to the business to be had in the housing campaign. Its sales and earnings were the best since 1931.

Durable Goods Join Upturn

Westinghouse Electric and General Electric—representatives of the durable goods field—both made good showings. Westinghouse's 38% sales expansion enabled it to get into the black with a 6-month net exceeding any full year back to 1930. General Electric is back to 1931 levels in sales and profits.

Caterpillar Tractor, which has lines helped by bigger farm income, construction, road work, and diesel popularity, continues its 1934 spurt in earnings.

Among makers of office appliances, which sell when business is looking up, there was a 46% profit increase for Remington Rand, while Underwood Elliott Fisher pushed good 1934 figures 6% higher.

American Chicle, Beech-Nut, Gillette, Kimberly-Clark make things people can economize on in a pinch. Their upturn is significant.

The toughest place to make money was in food lines, where high prices hurt volumes and cut margins. An exception was Wesson Oil, whose business was helped by the shortage in fats. Most

Acme

SPIRIT OF CONGRESS—At the last lobbyist roundup on the utility holding company bill which he jointly sponsored with Senator Wheeler, Chairman Samuel Rayburn of the House Commerce Committee mutely but eloquently testifies to the acuteness of that common Capitol Hill complaint: fatigue.

of the others did well to equal last year or hold losses down. It was severe price competition, on the other hand, that hampered the drug companies.

Power for Recovery

Summer spurt in demand for electric current reflects business upturn and heavy appliance sales.

THE reading public these days gets its impression of the electrical power industry from headlines on Washington despatches. There is another and far different story buried in the trade statistics. In midsummer the industry's weekly figures on power output read like those customary heretofore only at the winter peak.

This summer spurt gives practical assurance that the 1929 high-water mark of 75,295 million kw.-hr. of electrical power sales will be surpassed in 1935. It comes on top of a good volume earlier in the year. The first 5 months ran 6.4% above 1934 and 1.5% greater than 1929, but fell 1.9% below 1930, which started strong only to taper off.

Naturally, rate cuts prevent revenues from paralleling the upward trend in consumption but they were 4.4% above 1934 for first 5 months, within 1.2% of 1929, though 6.2% less than in 1930.

Checking Revenue Drop

When the revenue is traced down to individual companies and deductions are made for larger costs and taxes, the shrinkage from prosperous 1929-30 is still worse, some of the major units showing declines of 50% or more. Yet the trend is now being reversed. For utility concerns expenses do not increase in ratio to sales, so a bigger output will bring its benefits to earnings. Reopening of the capital markets for cheap refunding of securities has offered chances for savings where they mean the most. Out of every $1 collected by an electrical company, 45¢ goes to pay interest and dividends. With the wave of bond refunding barely started, the industry has already replaced $450 millions of its $6 billions bonds at savings of 1%-1¼% in rates, about a 25% cut.

There are several reasons for the gain in power sales. Lower rates is one. But, more importantly, the utility companies have been adding customers and selling each customer a little more current. Growth has been in domestic business for which there are currently 20,653,652 customers, up 457,445 from a year ago, each of them using energy at an annual rate of 646 kw.-hr. against only 612 kw.-hr. a year ago. Although the current costs only 5.22¢ per kw.-hr., against 5.41¢ a year ago, monthly bills are averaging $2.81 against $2.76 last year.

Among commercial concerns, the utilities have found 49,221 new customers within the last year and this type of customers is using 5% more juice than a year ago. Only among the big consumers, industrial plants and other wholesale buyers, has the industry lost ground during the depression. Its books carry only 499,583 of these biggest users of energy, 79,300 fewer than in 1932. Some have failed, some closed branches, some switched to producing their own power. But for those left, consumption per customer is running 6.7% ahead of last year, the most encouraging comeback in the picture.

Greater industrial power needs reflect the upturn in business generally, but greater use by small customers is accounted for by increased sales of appliances. The showing for 5 months:

	1935	1934	% Increase	% Saturation
Refrigerators	944,054	813,571	16	29
Vac. cleaners				
Floor type	378,871	308,220	22.9	45
Hand type	129,387	90,668	42.7	
Water heaters	24,912	14,781	68.5	1.4
Oil burners	24,460	19,502	25.4	4.1
Stokers	6,808	4,032		

Sales of counter appliances to stores in the first 4 months of 1935 were 19% ahead of the '34 showing, 37% above '33. A total of $5,970,926 was spent on air-conditioning units in the first 5 months, increased 23.4% from '34, 167% from '33.

First Half Net Earnings Up 22%
(50 Leading Companies)

Company	1935 1st Quarter	1935 2nd Quarter	1934 2nd Quarter	% Change First 6 Mo.
American Chicle	$614,821	$697,918	$531,688	+ 35
Atlantic Refining	d129,000	384,000	2,377,578	− 91
Auburn Automobile	d451,597	d410,890	d788,071	*
Barker Bros	d120,737	57,404	d189,973	*
Beech-Nut Packing	407,405	440,664	347,939	+ 16
Bohn Aluminum & Brass	554,613	398,206	488,066	− 16
Caterpillar Tractor	1,084,776	1,823,376	1,274,053	+ 41
Chrysler	9,163,182	9,496,127	4,888,234	+128
Conde Nast Publications	93,567	d63,524	d57,661	†
Container Corp. of Amer	207,810	224,335	307,169	− 28
Corn Products Refining	2,134,453	1,747,112	2,103,755	− 12
Cream of Wheat	304,307	175,609	201,713	− 16
Douglas Aircraft	340,297	595,705	d364,757	†
DuPont de Nemours, E. I	11,097,142	11,353,343	11,925,444	− 5
Eaton Manufacturing	605,272	436,688	435,405	+ 34
General Baking	464,396	406,644	316,219	+ 17
General Cable	d126,318	26,222	89,789	*
General Electric	5,390,930	6,150,499	4,897,364	+ 22
General Foods	3,361,339	2,501,383	2,203,062	0
Gillette Safety Razor	1,198,663	972,712	1,063,876	+ 10
Gulf States Steel	30,149	d66,663	201,616	‡
Harbison-Walker Refr.	467,000	316,800	462,400	− 3
Houdaille-Hershey	902,869	870,757	475,562	+144
Howe Sound	389,759	521,832	522,004	— 10
Johns-Manville	246,578	551,434	249,937	+359
Kimberly-Clark	270,564	296,153	187,616	+126
Lambert	567,552	252,862	395,130	− 27
Lehigh Valley Coal	370,598	104,976	d143,925	− 19
Lehn & Fink Products	172,501	d78,005	97,143	− 68
Libbey-Owens-Ford	2,219,767	2,064,549	1,161,321	+ 69
MacAndrews & Forbes	199,535	239,132	249,988	− 11
Marshall Field	d442,700	d400,700	d1,145,000	*
Mathieson Alkali Wks.	350,180	297,673	339,797	+ 5
Midland Steel	344,031	309,469	222,794	+123
Nash Motors	d405,906	d556,310	d393,369	*
National Biscuit Co	1,848,565	2,335,318	3,198,231	− 32
Otis Steel	952,362	435,493	524,725	+ 18
Remington Rand	800,213	478,704	165,027	+ 46
Schenley Distillers	1,587,622	1,443,030	1,058,229	− 29
Stewart-Warner	496,063	524,428	372,765	+ 89
Superheater	160,991	162,157	209,310	+ 26
Texas Gulf Sulphur	1,540,869	1,914,302	1,923,447	+ 3
Underwood Elliott Fisher	719,043	750,857	685,810	+ 6
Union Carbide & Carbon	5,293,629	5,332,528	4,779,505	+ 17
Union Oil (Calif.)	1,350,000	1,600,000	d200,000	+883
United Fruit	2,250,000	2,300,000	4,713,000	− 28
Wesson Oil & Snowdrift	773,411	1,352,806	521,778	+ 45
Westinghouse	2,326,496	3,938,692	1,744,427	†
Wrigley (Wm.) Jr	1,786,095	2,011,357	2,003,586	− 2
Young Spring & Wire	520,932	546,653	355,667	+ 60
Total, 50 companies	$64,284,089	$67,313,817	$56,489,413	+ 22

d—Deficit. *Loss reduced. †Loss to profit. ‡Profit to loss.

FIRST HALF ROUND-UP

1935 compared with 1934

PRODUCTION

Steel	−2%
Automobiles	+32%
Construction	−18%
Residential	+58%
Non-residential	−7%
Public works and utilities	−48%
Factory employment	+2%
Factory payrolls	+8%
Hard coal	−12%
Soft coal	+5%
Oil wells drilled	+28%*
Electric power	+6%
Cotton consumed by U. S. mills	−3%
Silk consumption	+6%
Wool consumption	+95%*
Petroleum	+6%
Cigars, cigarettes	+4%

TRADE

Passenger car sales	+45%*
Truck sales	+31%*
Machine tool orders	+47%
Cement shipments	−9%
Carloadings	−2%
Grain	−14%
Livestock	−21%
Coal and coke	+1%
Forest products	+6%
Ore	+5%
L. C. L.	−3%
Miscellaneous	+1%
Check transactions	
140 cities	+11%
N. Y. C.	0%
Dividends	+3%
Insurance sales	+1%
Dep't store sales	+3%
Variety (5¢-$1) sales	−1%
Rural sales	+25%
Commercial failures	−5%
Commercial liabilities	−27%

PRICES

Wholesale prices 784 items	+8%
Farm products	+31%
Food products	+24%
Hides & leathers	−2%
Textiles	−7%
Bldg. materials	−2%
Chemicals	+7%
Metals	−2%
Cost of living	+5%
Food	+14%
Cereals	+5%
Meats	+35%
Dairy products	+13%
Eggs	+29%
Fruits, vegetables	−8%
Housing	+8%
Clothing	−2%
Fuel and light	−1%
Sundries	+1%
Farm income	+11%*
Stock prices	−12%
Bond prices	+4%

* = preliminary

Business Week

Starring Terre Haute

Indiana city plays leading role in labor news with 2-day general strike. Camden shipbuilding yard reopens after 10 weeks. Green rejects "Toledo plan."

A MIDWESTERN city of 63,000 suddenly became the center of the week's principal labor news.

Terre Haute, "on the banks of the Wabash," was the home town of Paul Dresser, who wrote the song of that name. It was also the birthplace and home of the late Eugene Victor Debs, 4 times Socialist candidate for the Presidency, the last time while serving a term in federal prison for opposing the sending of American troops to Europe.

The Debs tradition is powerful in Terre Haute. But in the post-war years, the unions weakened. Then came the NRA. It found Terre Haute 20% organized. Today 90% of Terre Haute labor is said to be on the union rolls.

Pays No City Taxes

For many years the unions have pounded unsuccessfully at the Columbian Enameling & Stamping Co. Its mill, though situated in a densely populated part of the city, is legally considered outside the city limits—that privilege having been granted to the company when it came to Terre Haute. Hence it pays no city taxes. The unions have made this a point of attack on the firm, especially when city police have protected the mill against pickets.

In July of last year, the company recognized a newly formed local of the American Federation of Labor, but refused to grant a closed shop. Thereafter, the union asserts, Columbian formed a company union and began firing the A. F. of L. employees, particularly those who figured in reports by undercover men.

Protracted disputes led to a strike last March. A few weeks ago, the company hired armed guards. Strikers attacked the plant, causing a damage estimated at $15,000.

The armed guards were sent out of town. But last week the company imported 58 strikebreakers. The next day representatives of 48 unions met and resolved that unless the strikebreakers were out of Vigo County by the following Monday, they would call a "labor holiday."

The strikebreakers did not leave. The "labor holiday" (general strike) was called. Nearly every business establishment in town was closed up. Street cars, buses, and taxicabs were off the streets. Employees of filling-stations struck. Department stores, groceries, butcher shops, restaurants, saloons, and movies closed. There were no deliveries of milk or ice. Crowds threatened the Terre Haute *Star* and the *Tribune*, both under the same management, forcing them to suspend publication. Union miners in Vigo County stopped work.

Strikers and sympathizers assembled at the plant. Inside, private guards armed with shotguns and submachine guns kept watch.

Gov. Paul V. McNutt declared martial law in Terre Haute. The stores began opening. Militiamen clashed with strikers and sympathizers, making 4 attacks with tear-gas bombs.

The Department of Labor sent conciliators from Washington and Chicago. Secretary of Labor Perkins called the company's guards "a hazard to the community's peace and welfare."

The A. F. of L. considers general strikes dangerous. President Green sent a special representative, Thomas N. Taylor, to Terre Haute. At the end of the second day, the officers of the striking union at the plant agreed that the sympathizing unions should call off their "labor holiday."

The general strike was over. The strike at the mill continued.

Other Labor Highlights

After a 10-week strike of 3,000 employees, the New York Shipbuilding Corp. rejected Secretary Perkins' suggestion of arbitration and reopened its yard at Camden, N. J. Several hundred men passed through the picket lines. Union leaders called the reopening a flop; Pres. John F. Metten of the company said the number of employees would increase.

At Garnerville, N. Y., near Haverstraw, the Hirsam Knit Sportswear, Inc., reopened its plant and rehired the local residents it had previously discharged in compliance with a court decision requiring the company to keep a contract with the Knit Goods Workers Union of New York City. The union had charged the company with moving its plant from Brooklyn to break the contract. After the Haverstraw non-union workers were discharged, they threatened to drive away any union workers who arrived. The union appealed to local and state authorities, but it did not send any of its members to Haverstraw. Thereupon the company rehired the local workers.

The number of strikers at Boulder Dam increased to 800.

President Green of the A. F. of L. flatly refused to cooperate in the "Toledo plan," suggested by Assistant Secretary of Labor McGrady, himself a union leader. The plan requires full mediation before a strike. Green objected because union representatives would have to sit at the same table with representatives of company unions, and because employers would be able to stall their employees off until the right time for a strike had passed.

Acme

FIGHT FOR JOBS; 54 HURT—After a strike at the John Morrell Packing Plant, Sioux Falls, S. D., 29 strikers were fired. Last week the butchers' union called a strike to win their jobs back for them. A picket line was established. A group of other men tried to storm the picket line. There was a battle with fists, stones, clubs, and baseball bats. Of 400 fighters, 54 were hurt.

Acme Acme

FOR OIL ON THE WATER—Two Standard Oil companies move simultaneously to develop their marine business. Led by Vice President Fred Ewing (third from left above), Socony-Vacuum Oil Co. officials preside at dedication ceremonies for Port Socony, a 257-acre marine base on Staten Island equipped to load and unload 260 million gal. of petroleum products annually. Meanwhile, Colonial Beacon Co. launches *Essomarine No. 1*, first all-steel, fireproof, oil barge for ship service.

Clash of Steel

Car makers try to reassert their privileges as big buyers in steel market, seek price readjustments.

AUTOMOBILE manufacturers are moving to recover advantages in steel prices enjoyed in pre-code days. First open attempt has been by Ford, which has placed large orders after dangling them in front of steel companies as bait for establishment of f.o.b. mill prices *(BW—Jul20'35)*. The secret of whether Ford received concessions is locked in the files at Dearborn; it may be significant that steel people are happy about the outcome, feeling that they stood their ground better than anticipated.

Since the last steel code first ruled out special privileges to large buyers and jacked up the amount Detroit had to pay for steel, car makers have fretted. Chevrolet, for a time, penalized leading steel mills by giving a bigger share of its business to smaller companies. General Motors in 1933 threatened to make its own steel, supposedly negotiated for purchase of Corrigan, McKinney steel properties at Cleveland. Ford proceeded to round out its finished steel capacity by building a continuous sheet mill.

Detroit users object to paying for 100,000 tons of steel the same price charged the 50-ton consumer, point out that mills can roll larger tonnages more cheaply, feel they should get the $2-$5-a-ton advantage formerly allowed them. They rebel at paying freight from Pittsburgh on steel made at or near Detroit or shipped to Detroit at low rates by water. Only remedy, they claim, is a Detroit base with same prices as Pittsburgh.

Verbal grenades which Detroit is hurling into steel's trenches: Large steel companies should write off antiquated mill equipment, not set prices to cover investment on it; Detroit, providing 21% of all steel tonnage lately and a much larger percentage of flat-rolled products, should not carry the load for idle mills ordinarily rolling railroad and structural steel; in the automobile industry free competition has always ruled with weak companies forced out of business—and steel should run on same basis; lower steel prices shouldn't mean lower mill wages, this theory being disproved by Detroit's experience of consistently lowering car prices, yet paying 1929 wages today.

Steel companies retort that Detroit already has special concessions in the form of arbitrary delivered prices on products used in automobiles, mills with higher freight rates to Detroit absorbing the differential. Wherever one class of buyer is favored, other classes want the same treatment (Toledo consumers now want the same setup as Detroit). Moreover, the steel industry has had heavier losses, recovered less volume than the automobile makers. Present steel prices yield only a modest profit to smaller companies, let larger mills do little more than break even. Lower prices would retard recovery, hurt car sales. Furthermore, say the steel people, automobile companies don't practice what they preach, as part of profits of manufacturers with branch assembly plants comes from charging consumers f.o.b. Detroit prices for their cars.

Detroit's action toward getting "readjustments" has just started. If it doesn't succeed today, it believes it will tomorrow when new continuous strip mills with enormous producing capacity come into the market. Supply then will exceed steel demand, giving the user increased bargaining power.

Balking the Buyers

Sellers will stick to bids, according to plans of American Institute of Steel Construction.

THE old legal maxim is *caveat emptor*—let the buyer beware. In business practice the maxim has been double-edged; let the seller also beware. Each party to a bargain is presumed to be on guard against the normal tricks of a bargainer.

Now the American Institute of Steel Construction has decided to circumvent one of the tricks of bargaining buyers. The institute—which doggedly refused to go under NRA (*BW—Jul28'34*)—has formulated a new code. This is a private agreement, it will not be submitted to the Federal Trade Commission. One of its purposes is the establishment of a bid depositary, to receive copies or summaries of bids by institute members. After the bidding has closed, each bidder will be allowed access to the bids of his competitors.

Sometimes purchasing agents try to induce the low bidder to cut his bid. If he refuses, they may get a new and lower quotation from one of the other bidders. But under the institute's plan, if the contract goes to somebody else than the low bidder, he will know he was undercut by a new bid.

And the submission of new bids, after the bidding has closed, will be considered very unclubby. Members will be

under great pressure to refrain from such misbehavior.

This plan was worked by many industries under NRA, sometimes in co-operation with unions. In the building trades, a contractor or builder who did not give the painting contract, for example, to the low bidder, was often punished by the refusal of the unions to supply workingmen.

The institute's new code does not provide for outright price-fixing. However, members will be required to submit information on all items that are used in determining a reasonable price. And since the code has been approved by companies controlling 80% of the volume of business, it appears that this plan may be pretty effective.

FOOLPROOF AIR FLIVVER—Developed to meet Bureau of Air Commerce specifications for a $700 airplane which the average man might learn to operate safely in a few hours, this curious model, designed by Hammond Aircraft Corp. to permit landing in a small space with no danger of nosing over, demonstrated its accident-proof qualities at Detroit's All-American Aircraft Show.

Tobacco—First Up

Wholesalers plank down full set of trade-practice rules to replace NRA code and ask FTC for O.K.

No. 1 industry in the new Federal Trade Commission era is wholesale tobacco. Plenty of industries have talked and written to FTC about providing fair-trade practice rules as a substitute for NRA codes, but wholesale tobacco is the first industry to go the route.

The National Association of Tobacco Distributors, claiming to represent 96% of the industry, last week submitted to FTC a complete set of rules and asked that they be promulgated.

Speed is desired by the industry. After the Supreme Court's decision upsetting NRA, tobacco was the first victim in the price-cutting frenzy all over the country. Some stores sold it at less than cost. That day of dementia is over now, but sweet reasonableness has not yet been restored.

2 Groups of Rules

The proposed rules are in two groups:

(1) Rules having no legal effect; adherence would be voluntary. The 60,000 employees would be protected by the same labor provisions that were in the Wholesale Tobacco Code. In the 19 states that tax cigarettes, wholesalers would add the full face value of the sales stamps to the price.

(2) Rules defining unfair practices, which shall be unlawful. There is a long list of these, including use of loss leaders; invasion by a wholesaler of the territory allotted exclusively to another wholesaler of the same product by the manufacturer; price discrimination; false pretense of merchants in representing themselves as wholesalers; sales below cost; sales of nationally advertised products at less than the established price; deceptive advertising; imitations of trademarks and other signs of identification; misbranding; defamation of competitors; secret rebates, etc., bribery of customers' employees; attempting to induce breach of contract; threatening infringement or trademark suits to scare competitors' customers away; false price-lists; forcing a buyer of one product to buy other products; deceptive quotations or invoices; and selling at wholesale prices over retail counters.

If the FTC accepts these rules, there may be a rush from other industries.

Blue Eaglet

Revise Walsh bill to keep code controls on jobs or materials ordered by the government, or even partly financed by it.

ADMINISTRATION grief at the untimely death of the Blue Eagle will be somewhat tempered by the impending birth of a baby brother. The Walsh bill, recently reported to the Senate, is designed to keep NRA codes in effect in so far as the spending of government money is concerned.

Rewritten by the committee after several public hearings, the revised bill adheres closely to the original pattern, with the addition of several modifying clauses simplifying compliance, guarding against the "kick-back," and providing for the act's application to existing contracts. It applies to any transaction in which purchase of goods or services is financed, even in part, by federal funds or loans, requiring as a contract condition an agreement to abide by definite standards regarding minimum wage rates, maximum hours of work, and the elimination of child labor.

To simplify compliance a new clause has been added specifying that a principal contractor can relieve himself of liability in respect to persons not on his payroll by presenting certificates of compliance from subcontractors, material men, and others who may be connected with the job.

"Kickback" Penalty

Contracts must also provide that violation of the standards shall justify cancellation of the agreement and the fulfillment of the contract at the expense of the contractor, who is also responsible for liquidated damages (payable through the Treasury to employees) equal to the entire minimum wage specified extended over the period of employment in which the violation occurs. Should the violation consist of forced refund of wages the penalty shall be 5 times the "kickback."

Actual determination of wage and hour standards is left in the hands of the President, to be based upon practices prevailing "not prior to 1934." It is within the President' discretion to grant general or individual exemptions.

Whether or not the Walsh bill will be passed during the present session is still uncertain. Congress is in no mood to accept additional chores, but it is no secret that the proposed law is the Administration's lever to force "voluntary" adherence to the defunct NRA codes. Early addition of the measure to the "must" list will surprise no one.

Hopkins' WPA alone expects to spend half a billion for materials in the next 6 months, largely through local offices in the field. The Administration figures that if this very substantial block of business, to say nothing of other vast government purchases, is to be protected from chiselers, legislative action is imperative.

Fair Trade Firecracker

Abruptly terminating its shotgun "love match" with price stabilization enthusiasts, Pepsodent Co. cancels California fair trade law contracts.

INTO a trade joyfully preoccupied with visions of firm prices and guaranteed profits under the fair trade laws in 10 states (*BW—Jul20'35*), the Pepsodent Co. this week tossed a giant firecracker.

Retail druggists in California were pointedly informed that all fair trade contracts existing between them and the Pepsodent Co. were no longer in effect. Which also means that there will be no Pepsodent fair trade contracts in any of the other 9 states whose legislatures this season followed California's 4-year-old lead and passed the necessary enabling legislation.

To make this point clear, the Pepsodent Co. simultaneously sent all druggists and wholesalers throughout the country another letter explaining its California cancellation. "Manufacturing requirements," said the letter, "compel us to make various shipments in the future direct from Chicago to jobbers and dealers in California. Since such shipments will involve interstate commerce, it is necessary for the Pepsodent Co. of California to withdraw from any operation under the California Fair Trade Act."

Angry independent dealers found "manufacturing requirements" a most inadequate reason for the action, and here and there they grimly began to stow Pepsodent away under the counter. The "earnest recommendation" that an enclosed list of suggested resale prices be maintained they considered gratuitous at best.

Manufacturers and other trade interests less obsessed with fair trade price stabilization simply deduced that Pepsodent had not found operations in California sufficiently profitable to warrant extension of the contract plan in the other 9 fair trade states, and, since it would ultimately be a case of whole hog or none, had decided to pull out early in the game.

Pepsodent, they realized, had never been a stabilization enthusiast, had been literally forced into the California plan 2 years ago when Coast retailers organized a boycott which threatened to nullify Pepsodent's heavy and expensive consumer advertising. Apparently, 2 years of effort to placate the independents had not yielded sufficient results to compensate for the loss in volume sustained at a higher price level. And, despite the rash of enthusiasm for fair trade laws, Pepsodent presumably figures now that no trade opposition can be developed on a national scale able to resist for long consumer demand.

Censures Stabilization Idea

However, the closing words of Pepsodent's letter are apt to rankle long in the embittered hearts of some chainmen and most independents: "The Pepsodent Co. holds out no panacea and no wordy evasions, calculated to inspire assurances, which cannot be lived up to, for price maintenance." This sentiment they consider in singular contrast with that expressed by Kenneth Smith, president of the company, 6 months ago when he undertook to explain through a trade medium the new Pepsodent plan

Top center, Underwood & Underwood; others, Keystone

DEATH SENTENCE INQUEST—Exhaustively overhauled at the Senate lobbying inquiry, the mystery of who burned the telltale utility telegrams was grist for the mill of those who sought to discredit opponents of the "death sentence" as the holding company bill went to conference this week. Representative D. J. Driscoll (above left) discovered the lobbying plot; Senator Hugo Black (in white suit, above center) and his confrères examined the charred evidence with a microscope and pinned responsibility on Ursal E. Beach (above, right), head of the securities division of Associated Gas & Electric Co. Included in the incendiary cast, shown here taking the oath to tell all, were various Western Union employees—an office manager, a clerk, an operator, a messenger boy, and a division superintendent (below, left)—and 2 A.G.E. representatives who actually sent the wires and supervised the burning of the evidence, E. W. O'Brien of Erie, Pa. (left), and R. P. Herron of Warren, Pa.

of increased discounts for dealers. "Since there are no other laws similar to California's Fair Trade Act," said Mr. Smith, "we are now offering a 'Fair Trade Act' of our own to protect druggists in those other states . . . We realize that price-cutting competition has been destroying profits of many dealers. . . . We are taking the lead in the kind of thing that means their survival."

Whether or not Pepsodent's action presages increased resistance on the part of other manufacturers to the signing of fair trade contracts in the 9 new states is conjectural, but certain it is that there are many other large-volume producers who are daily growing more worried about the possibility of sales losses, increased costs, and court troubles under the contract plan and who genuinely envy Pepsodent's independence in abrogating the shotgun love match with the independents.

Putting Chains to a Vote

California's referendum provision may give consumers a chance to show what they think of chain stores.

CALIFORNIA chain store operators see two possible "outs" in the tax levied on them under terms of a bill signed July 20 by Gov. Frank F. Merriam. Observers believe the loopholes justify the prediction that the tax will not go into effect Sept. 15 as provided in the Cronin-McMurray measure.

Chain store hopes hinge first on the opportunity the state constitution allows for calling a referendum by which voters can decide the question finally. (Governor Merriam recommended a referendum in signing the bill.) This involves filing a demand petition signed by 5% of the voters at the last gubernatorial election. Plans, already in motion, for collecting required signatures, are backed by newspaper, billboard, and radio advertising stressing cost of the tax to consumers in increased prices, and the threat to the jobs of the 50,000 persons employed by chains. Granting of a petition for referendum will automatically restrain the state from collecting the tax on Sept. 15.

See Good Court Case

Important line of defense, the chains believe, is the possible unconstitutionality of the measure. Since it exempts 35% of the chains (gasoline stations, barber shops, beauty parlors, ice plants, agricultural cooperatives, newspapers, theaters, warehouses maintained by a manufacturer in distribution of merchandise) many authorities judge it clearly discriminatory and in violation of the state constitution. Chains point with satisfaction to the decision of New Mexico's Supreme Court, handed down July 5, holding that state's chain store tax law unconstitutional because of exemptions. If the need arises, no time will be lost in testing California's new law.

Designed to produce about $4 millions a year in revenue, from the 7,530 chain units in the state, the tax begins at $1 a year for a single store and doubles for each additional unit up to 10, after which the levy is $500 a store. This would mount into money for the large chains such as Safeway with 1,300 units, Owl Drug with 110, A.&P. with 108, J. C. Penney with 132, Woolworth with 117.

Full payment of the tax is due Sept. 15, after which a license is issued valid until Jan. 1, 1936 when the tax must be paid again in full for 1936.

Chain operators insist the prime movers in initiating the measure were not the independent store owners, but jobbers and small manufacturers who, they explain, saw a chance to increase chain expenses and thereby improve their own positions.

California's chain stores (exclusive of those exempted by the law) report a sales volume of $460,000,000 annually. More than 50,000 persons are employed with a payroll of $65,554,000. The state has 2,500 chain groceries—800 of them handling groceries only, 1,700 combining meats with groceries. Average sales volume of the former is $44,740,000 a year; of the latter, $65,800,000. Net profit per store in the grocery group runs about $450 annually; in the combination, $658. Operators of food chains point out that the $500 annual tax per store for chains of over 10 units is clearly confiscatory, that under the circumstances the only way out is to pass the grief on to the consumer—unless consumers, as voters, relieve them of the burden.

It appears that the California public is about to become thoroughly informed on the subject of chain stores *vs.* independents, with all the stock arguments presented and repeated by every available advertising medium. In the end, it is probable, they will decide the issue.

Wide World

BACK IN AGAIN—Elected this week to the presidency of Chesapeake & Ohio, W. J. Harahan takes up again familiar duties. When the Van Sweringen interests placed the late John J. Bernet in command of the road, Mr. Harahan, then president, stepped down to the senior vice-presidency.

Tin from Old Cans

Los Angeles company experiments with new process of recovering tin from used cans.

METALLURGISTS are studying a new process for recovering tin from used cans and kitchenware developed by a Los Angeles inventor, David E. DeLape.

Standard tin cans, investigating metallurgists explain, consist of a steel base and a coating of tin ranging from 1¼% to 6% of the total metal content. Many attempts have been made to salvage both the tin and the steel base from old cans but costs of commercial operation have heretofore prohibited development.

The new process, now in the hands of the P&R Development Co., with an experimental plant in Los Angeles, has recovered from 68% to 93% of tin in a series of tests recently completed by Dr. Arnold O. Beckman, of the National Technical Laboratories, Pasadena, formerly of the California Institute of Technology. The tin so recovered turned out to be 99.9% pure metal and the remaining steel base to be of such quality as to permit it to be melted and rolled into mild steel plate.

Electrolytic Process

Cans are shredded, placed in a cylindrical apparatus, and rotated in a chemical mixture pumped into the cylinder. Tin comes off the cans in solution and is recovered by electrolysis. Under a slightly different method, the tin is deposited in metallic form.

It is claimed that a commercial plant with a capacity of 225 tons of recovered metal a day can be set up for approximately $65,000. Maximum costs of commercial operation are estimated to run

When the salesman quits—

who wins custody of the customers?

THE company that makes its salesmen work from scratch—open doors, make friends, win new customers, unassisted—is building its business on the insecure foundation of a salesman's personality. Remove that salesman from the picture, place him on a competitor's staff, and his business moves with him.

If you want your customers to be *really yours,* you've got to sell them on more than just a personal basis. You've got to sell them on the company, the product, the service, that stand behind that salesman. That's the solid foundation on which to build a long-lasting business.

A regular schedule of business paper advertising will not only help your salesmen get more business for you *now,* but will make it difficult for competitors to take business away from you. And—run in the waste-proof McGraw-Hill publications it will do this job for you at a lower cost than you think.

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Engineering News-Record
Factory Management and Maintenance
Food Industries
Metal and Mineral Markets
Power
Product Engineering
Radio Retailing
Textile World
Transit Journal

about $6.75 a ton divided as follows: chemicals, $1.43; shredded cans, $2.50; overhead, 25¢; utilities (including power for electrolytic operation), $1.50; labor, $2.50.

The P&R Development Co., 724 South Spring St., Los Angeles, is headed by C. N. Rosenthal, vice-president of the Security-First National Bank of that city. David A. Pepp is vice-president. Other officers include J. J. Doyle, president of the Doyle Petroleum Co., and C. E. Beesemeyer, vice-president Gilmore Oil Co., all of Los Angeles.

Officials of the company plan either to begin commercial operation themselves, or to license the process to others.

Concentrated Power

Federal government plans to keep control of wholesale power rates at Bonneville and other projects.

INITIATION of a new policy concentrating in the hands of the Federal Power Commission control over wholesale rates for power generated in all government-owned plants is seen as the result of a recent White House conference convened to consider the disposition of power from Bonneville Dam, now being completed by the War Department.

Following the meeting, it was announced that Senator McNary of Oregon would shortly introduce legislation permitting the department to make contracts for power sales, but leaving the matter of rates to be determined by the commission on a basis amortizing the cost over a 50-year period. Wholesale rates only will be determined, leaving the question of retail rates under the control of regulatory bodies within the states in which the power will be used.

Unofficial comment indicates that this plan will be used in the case of other projects now under development by the various federal agencies.

No End in Sight

Administration no longer regards present work relief program as the last, and plans accordingly.

LOOKING beyond the fiscal year which has just commenced, and the $4-billion work relief program that likewise is just starting, Washington turned this week to consideration of the probabilities that must be reckoned with a year hence. It is clear that the Administration no longer regards the present work-relief program as the last. Allowance will be made for continuing public employment in a budget in which the President planned to inaugurate a reduction in the national debt.

Annoyed by press despatches regarding this deferment of his hopes, the President described them as completely cuckoo. A conference with Morgenthau, Hopkins, and Perkins was devoted, according to the President, to a discussion of the best method of getting a line on unemployment next Dec. 15 or thereabout, when he must prepare his next budget message for Congress.

Mr. Roosevelt expects that, naturally, there will be some unemployed on that date. Just what this will prove is not clear, unless there should be a substantial decline in private employment in the fall. Otherwise it will be necessary to count only the 3,500,000 on the work relief program which will be in full swing by that time unless Hopkins decrees that his own prophecy shall not be fulfilled. What the situation will be when the $4 billions is spent can only be revealed by the trend of business conditions in the next 15 months.

In the meantime, announcements of employment created by the works program are misleading, as included in them are the CCC enrolment and other continuing activities. Allotments for WPA work programs in various states are small to date but continuous. PWA is making a surprisingly good showing. Applications from local public bodies number more than 1,800, propose construction of public works costing $465 millions. Many of these projects on review, undoubtedly will go by the board, but the total already is close to half PWA's volume under its old program which covered 4,042 non-federal projects costing $1,069,173,057, of which 20% is not yet started.

GEORGIA'S RUBICON—If federal work relief forces insist on bridging the Oconee River at Ball's Ferry, Governor Eugene Talmadge says his truce with the New Deal is all off. While debate rages, the Bureau of Roads continues to deny the Georgia State Highway Commission its share from the $4-billion fund.

Relief Crackdown

Roosevelt wipes out relief rolls in some states to force men into fields as harvest hands.

PRESIDENT ROOSEVELT sent orders down the line this week to produce what looks like a striking reversal of policy. It won't last, but it has a temporary effect.

The order is to make a wholesale cleanup of the relief rolls in order to force unemployed men to accept jobs in the harvest fields. In some places this meant the entire abolition of federal relief. Families ceased receiving relief money, even though they had no employable members but women.

Men on relief protested against the low pay of harvest hands, and declared they might be unable to get back on relief when the work was over. But, in farm states, the President has less political need to worry about the unemployed than about the farmers. And the farmers want hands at low pay.

South Dakota was the first state to put Mr. Roosevelt's new policy into complete effect. State Relief Director M. A. Kennedy stopped all relief payments and all work relief projects.

In North Dakota, Director E. A. Willson had already ordered practically the same thing for his state, effective Aug. 2. And, in varying measures, the new Roosevelt policy was also being applied in Minnesota, Iowa, Kansas, Illinois, Indiana, and Ohio.

W. Frank Persons, director of the United States Employment Service, a bureau of the Department of Labor, de-

clared in Washington that the relief rolls must be reduced through "aggressive cooperation" with local officials, and that families taken off relief could not get back except through totally new applications and investigations.

Crops are unusually large, and so farmers need more harvesting hands than usual. But the Department of Agriculture says that on July 1 the demand for farm hands was only 80.5% of normal, whereas the supply was 95.7%. "Generally I think there is ample labor for all work to be done," observes one official.

The relief rolls have carried 5 million people, of whom 3½ million are considered fit for employment. Mr. Persons says 6½ million people are registered as active job-seekers at the 2,000 offices of his service throughout the country.

The average wage for farm hands in the North Central states is $1.50 a day. Men on relief rolls have demanded wages equal to the scale on work-relief projects. Now the Administration has acted to force them into the fields or into the hands of the local poor-law officials, who side with the farmers and have no intention of paying money to employable persons.

Watch Rhode Island

Washington is keeping an eye on a tell-tale special election in New England.

WASHINGTON (*Special Correspondence*)—Opponents of the New Deal here are waiting with marked anxiety for the results of a special election in Rhode Island Aug. 6. Appointment of the sitting Congressman to the bench provided a vacancy in the district comprising virtually the eastern half of the state, including part of Providence. In the Roosevelt landslide this district went Democratic by slightly over 14,000. In 1934, when the Republicans were hoping to make gains in the House, it went Democratic by more than 21,000. That doesn't look very hopeful from a G.O.P. standpoint.

But, as against the big Democratic victories, there is what has been reported to be a strong resentment against the Administration on account of the misfortunes of the textile indusry. In answer to that industry's demands for removal of the cotton processing tax, and further restriction on Japanese imports, the Administration insisted that neither was important, and has consistently refused action.

Furthermore, this section of Rhode Island has not benefited to any considerable extent from the farm benefit payments. True, Rhode Island stands to get about $15 millions from the work relief fund, but this is about its fair average. So, if it should prove potent at the polling there, it would be a fair presumption that the potency would be about average. Hence it would not affect the value of the vote as a weather vane.

In 1932 Roosevelt carried 3 New England states, Massachusetts, New Hampshire, and Rhode Island. It so happens that the textile industry is important in all 3. Another sweeping Democratic victory Aug. 6 would carry a pretty certain conviction that, running again, he could again carry those 3 states. A Republican victory would carry equally valid conviction that he would lose all 3.

By-Election Prophetic

By-elections have a habit of pointing the trend far more accurately than the general public has ever realized. All the primaries and by-elections revolving around the League of Nations fight in 1919 forecast with amazing accuracy the overwhelming rejection of that issue which followed in 1920. And, the by-elections and primaries of 1930 forecast the most complete overturn on a political issue this country has ever seen—that on prohibition.

Early in 1930 there was a special election in which the second Massachusetts district, so long represented by Speaker Gillett, sent a Democratic congressman to Washington for the first time in its history. He had run on the wet issue. But the thumbs down on the Hoover Administration, though not so clearly realized at the time, played a part, as pointed out in the House a few days later by Representative Treadway. That gentleman did not mean to let his party leader down, but he was drawn into it by the taunts of wringing wet La Guardia, then a congressman, now mayor of New York.

So Washington is waiting to see whether Rhode Island will point the course for 1936.

Business Week

FOR RAIL OR ROAD—Carrying a cargo of Goodrich tires from Akron to Cleveland, this new-type, road-rail truck, built by the Henderson Motor Truck Co. for the General Transportation Co., has proved its operating efficiency. When it takes to the rails (on inner flanged wheels), tires are deflated; when it arrives at the rail terminus, tires are inflated and the truck is ready for city streets.

Truck Law is "Ought"

Eastman bill to regulate highway transport faces a fight with much Administration pressure.

STILL another version of a bus-truck bill is in the making. By and large, it is the Eastman bill, with amendments exempting from regulation all for-hire carriers hauling unprocessed farm products, livestock, and newspapers, also prohibiting ICC from assuming any jurisdiction over intrastate rates on any pretext whatever. This will go a long way to meeting the opposition of the National Grange and other farm organizations which have been shooting at the Eastman bill in the form passed by the Senate.

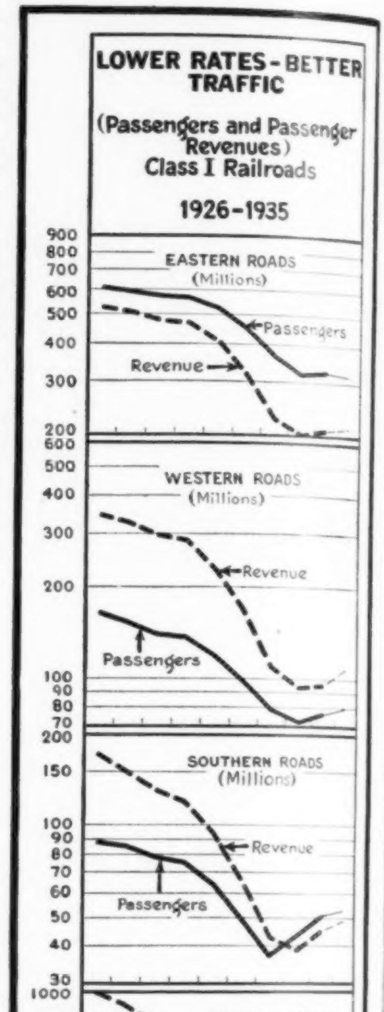
In its latest guise, the bill is a product of a new House subcommittee, chairmanned by Representative Pettengill, of Indiana, to which the Senate bill was

turned over as a basis for compromise, after the House Committee on Interstate Commerce had rejected a substitute by Representative Huddleston, of Alabama, that would have provided no control whatever over truck rates. The new measure has been reported out and a special rule will be sought to bring it to a vote next week.

Hoping to build on a firmer foundation than NRA, American Trucking Associations, Inc., wants regulation of all for-hire carriers in interstate commerce and ICC control of rates sufficient to eliminate discrimination—with actual rates fixed for common carriers and minimum rates for contract carriers, as in the Senate bill.

The farm organizations contend that the Senate bill would enable a railroad-minded ICC to pull up both common carrier and contract truck rates to the level of rail rates by permitting it to entertain complaints from such competing carriers. They likewise insist that exemption in the Senate bill of casual, occasional, and reciprocal transportation by a person not engaged in such transportation as a business does not protect the farmer against an increase in the cost of hauling his crops to market. They point out that the ICC can restrict this exemption, also that at the height of the harvesting season, busy farmers must use contract truckers, to whom the exemption does not apply.

All that can be said at present regarding prospects of a bill's enactment at this elongated session is that adoption by the House committee of the Senate bill as a basis will prove much more expeditious than if an entirely new substitute had been accepted. President Roosevelt says it will be excellent if a truck regulatory bill can be tied into the program for the remainder of the session. Obviously he has not thought anything about it for a long time. It is not on his "must" list. He objects to applying this term to any bill as stupid, unimaginative. Perhaps it would be best to classify the truck bill as "ought."



Trains vs. Automobiles

In cutting mileage rate, railroads go out to capture market that originated with motor industry.

In a few weeks the railroads will invite the public to turn their $200 million deficit in passenger business into a profit by reducing the regular fare from 3.6¢ to 2¢ a mile in coaches and 3¢ in Pullmans. There's no doubt that this will induce more people to take the train rather than drive their automobiles. Only the Pennsylvania, New York Central, and New Haven still argue that they won't pick up enough traffic to offset the fare cut. The ICC's prospective order will leave the 3 Eastern systems no alternative but to discover whether they are right or wrong in this calculation.

Broadly speaking, the railroads are trying to capture a market that originated with the automobile. In 1920, average travel was 500 miles a year, mostly by rail. In 1933 it was over 2,000 miles, only 130 by rail. By literally cutting into this huge market, the railroads are looking far beyond net passenger revenues of $200 millions in 1920.

Favors Larger Cut

Examiner Irving L. Koch, of the ICC, believes that he is conservative in recommending a cut to 2¢ in the coach fare. He argues that the roads might make an even better showing by cutting to 1½¢. By charging a lower rate than can now be safely expected to yield more revenue he thinks the roads would win public favor and, with that in their pocket, could later hike the rate slightly.

With the establishment of 2¢ as a basic maximum, the roads individually will be free to continue experimenting with lower rates. A coach rate of 1½¢ now prevails generally in the West and South and drops to 1⅛¢ in the West for round trips.

How Eastern Roads Argue

The Eastern roads which have held out against a cut in the regular ticket rate contend that their high-class commercial traffic would not be appreciably increased by any reasonable reduction. Due to excursions, the average fare collected by the Pennsylvania, New York Central, and New Haven last year, however, was only 2.8¢, while in the South where the basic rate is 1.5¢ in coaches and 3¢ in Pullmans, with excursion fares practically eliminated, the average yield was 1.77¢. Examiner Koch points out in his report on the ICC's investigation that comparison of these figures affords a more accurate estimate of the loss that must be made up by additional patronage than the difference between the basic rates of 3.6¢ and 1.5¢.

The accompanying chart indicates how low rates have stimulated passenger traffic. Low-rate roads, like Southern and Western, have already made a comeback from depression lows, while high-rate Eastern roads continue to hover close to all-time record depths of 1933. Here is the showing for the

first 4 months of 1935 in comparison with the same period of 1934:

Class I Roads	*Passengers Carried* %	*Passenger Revenue* %
Eastern	— 2.0	+ 2.2
Southern	+ 4.4	+ 8.4
Western	+ 3.2	+ 10.5
All	— 0.5	+ 5.2

Eastern roads have carried fewer passengers than last year for every month of 1935, and in March and April showed losses in revenue as well. Southern and Western roads show gains in both passenger traffic and revenue every month this year.

Unified Air Express

Railway Express Agency obtains exclusive pickup and delivery for plane shipments.

UNIFICATION of pickup and delivery for air express was announced in Chicago this week. Railway Express Agency will acquire this service exclusively, as a result of conferences with air company officials. Postal Telegraph's General Air Express, competitor of Railway Express, steps from the picture without regret. The business had grown so that messenger boys could no longer handle it profitably; Railway Express trucks can.

A logical monopoly has fallen to the logical candidate. With offices everywhere on rail lines, with a single bill of lading to cover pickup, shipment by air or air-and-rail, and final delivery, costs via the Express Agency are reduced and shipments speeded.

Result of unification probably will be a small reduction in rates with a corresponding increase in volume. A wider variety of packages will travel by skyways. Last year reductions were made (*BW—Aug11'34*), in one classification from $1 to 85¢. It helped pile up a record 1,077,901 lb. of air express for the first 5 months of 1935. This is 44% above the same period of 1934.

Begins Canadian Service

Insiders aren't surprised at the consolidation. For years it has been known that Railway Express Agency's Air Express was going places. Its through bill of lading for Pan American Airways boosted package business to Caribbean and Latin-American points last year. Fortnight ago, Railway Express Agency's foreign setup was widened to include Canada. Twenty Canadian cities can now ship to Latin America and the West Indies by the simplified "airwaybill." Cooperating are Canadian rail express, American rail and air express, international lines. The service brings Vancouver, B. C., within 32 hours of Mexico City.

Forest Credit Plan

President boosts for 30-year loans to finance reforestation, sunk with lumber code.

WITH lumber cost protection sunk last December by NRA, and production control going down later with NRA and the lumber code, timber owners (proprietors of one-third the area of the United States) are left holding the bag of reforestation costs. The code—strong for forest perpetuation—stood on a bargain between forestry representatives of the government and timber owners, whereby the latter promised to grow trees as they cut them and the former undertook in code concessions and supplemental legislation, including forestry credits, to provide a profit motive for doing so.

Two years under the code recorded a big start in commercial forest perpetuation—"sustained yield" is the technical term. With the code gone, commercial forestry's outlook turned dark. Lumber people can't help remembering that the tax collector collects faster than trees grow. This amounts to offering a public reward for premature and uneconomical harvesting of ripe trees. Stumps pay no taxes. What to use for money while trees grow into crops once in 50 years always worries reforesters.

One answer has been a government "forest credit" plan and the other day the whole lumber industry cheered up when President Roosevelt told a press conference he is all for such a plan proposed by Senator Fletcher of Florida.

Plan Forest Credit

Central feature of Fletcher's draft bill is establishment of a Forest Credit Bank in the Farm Credit Administration (trees being plants and regular farmers owning one-third of forest land) with a proposed capital of $40 millions but probably considerably less at the start. The Credit Bank would be authorized to finance its operations through the issue of $200 millions of bonds with both principal and interest guaranteed by the government. Thirty-year loans could be made to forest owners who agreed to plans for sustained yield management. Action at this session of Congress is unlikely.

The President commented that inclination to undertake forestry practices is most marked among smaller and medium-size operators, that worst offenders against good practice are little fellows who hop from grove to grove, and the big fellows who ignore the policy of cutting only so much as is maturing on another part of their acreage. Lumber authorities say, however, that actually the most effective commercial forestry to date has been on the part of manufacturers who own large tracts and see in the replenishment of their own forests the main hope of continuous operation of their mills.

Before the President acted, the National Lumber Manufacturers Association, representing all the regional associations, comprising most of the big operators, had taken over the forestry department of the scuttled lumber code and reported that the timber men would voluntarily carry on forestry as far and faithfully as limitations of taxation and cost would permit. Meanwhile, thanks to depression, nature is making wood faster than lumber is manufactured.

Business Week

SUBSTITUTION PROOF—Oil can easily be poured out of this bottle, but it can only be poured in by the Socony-Vacuum Filpruf dispensing equipment, kept under lock and key by licensed distributors. Drum closure and key parts, as well as the faucet, which only operates when the bottle top is fastened into it, are all made of zinc alloy die castings.

Insull Auction

A solemn little group watches while Central Hanover Bank buys in collateral that backed a loan.

A SIDEWALK sign at 18 Vesey St., New York, announces defiantly that real, old-time, hickory-cured ham is the noblest work of man. Just what the extravagant claim is doing there no one seems to knew. Eighteen Vesey is the forum of the Real Estate Auctioneers Association.

The afternoon of July 17 was so hot that nobody bothered to argue with the sign. Inside No. 18 a solemn little band seated on folding chairs of the undertaker type was gathered for a fragmentary funeral of the Insull empire.

St. Paul's bell across the way tolled 2 o'clock. Instantly a bald auctioneer at a golden oak pulpit began reading the service. It was legal notice of the public sale of collateral held by the Central Hanover Bank & Trust Co. for an Insull Utility Investment loan. Beside him a portly deaconess in a large black hat silently followed a similar notice, watching for mistakes.

The first block was 12,300 shares of Commonwealth Edison capital stock. A tall man of vice-presidential mien rose with a paper in his hand. "The Central Hanover Bank," he said sadly, "bids $1,008,600."

"Do I hear anything else?" chanted the auctioneer. He didn't. "First call. . . . Second call. . . . Third call. . . . Sold." He slapped his palm on the pulpit.

The Central Hanover also got 27,352 shares of Peoples Gas, Light & Coke Co. for $902,616. The bank then offered $24,500 for 700 no-par common of Public Service Co. of Northern Illinois. Here the only opposition developed. A broker bid $25,200. Central Hanover retorted with $25,900 and the broker subsided. The sale was over. It had taken just 12 minutes. The Insull loan was $3 millions; the stock was bought in for a total of $1,937,116.

Across the street, the crumbling gravestones in St. Paul's churchyard leaned to the hot July sunshine. The dead slept on, unconcerned with such vanities as utility empires or hickory-cured hams.

A court decision against 23,000 holders of Insull debentures cleared the way for sales by banks of collateral pledged with them for loans (*BW—Jul13'35*). Investors claimed the Insull companies had no right to put up the securities without giving the debentures equal protection.

Debentures Sold for Loans

During the first year Insull Utility Investments borrowed $50 millions from banks to defend Insull control against the attack of Cyrus S. Eaton. These loans were paid, with proceeds of a $60-million debenture sale, in January, 1930. Other banks' loans were then obtained, for which securities in the company's portfolio were used as collateral. These loans reached a grand total of $75,875,000 of which the banks got back $32,289,000 before the crash.

Guaranty Trust Co. has already bought for $2,386,950 the collateral back of an original $5 million loan. National City Bank bid in for $2,174,115 most of the securities supporting a $5 million loan to Corporation Securities Co., another Insull unit. Some of the Insull stocks are not being offered because they are virtually worthless. Many sales are still to be held.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

By intertwining strands of hemp and preformed wire on a 50-50 basis, Hazard Wire Rope Co., associate company of American Chain Co., has produced Spring-Lay rope for which it claims twice the strength of manila rope of equal diameter, with the advantages of both types combined. Tried out in the marine field, this rope is now being introduced to industry generally.

A MILK-TIGHT and gas-tight milk bottle hood of rubber composition, obtainable in colors, and claimed to be butterfat-proof and odorless, is being placed on the market by John R. Gammeter, consulting engineer in the rubber industry. The hood will adjust itself to fit many sizes and shapes of bottle tops; stacked in tubes, hoods are applied by special capping machinery, also being marketed. Printing of the hood can likewise be done at the dairy. It can be used with or without the regular paper disc. For use with the disc, similar hoods can be obtained in Goodyear's transparent "Pliofilm," which does not need to be printed.

A NEW photographic exposure meter of photo-electric type has been brought out by Weston Electrical Instrument Corp. It is said to give camera settings a brightness level one-third as bright as that required to actuate previous models.

DOUBLE-HUNG windows of solid aluminum or solid bronze with weather-strip guides built in as an integral part of the window are now included in the line of the Kawneer Co. Features stressed by the company are lightness, easy operation, protection from weather.

LUBRICANTS especially prepared to meet the requirements of elevator service and tried out over a long period in Otis Elevator Co.'s own elevator maintenance work are now being offered by that company for sale to industry.

AIRRONE, a catalytic agent intended to be volatilized into the air to neutralize odors; is being handled by Charles F. Jenz & Associates, Cincinnati, not by Airrone, Inc., as originally stated in this column (*BW—Jul13'35*). Two types of diffusers have been developed: one for use with air-conditioning systems in larger stores, theaters, hospital operating rooms, restaurants, and other places having upward of 150,000 cu.ft. of air to handle through their conditioning systems; a smaller one with a built-in electric fan for homes, small stores, physicians' waiting rooms, etc.

AAA Jumps Senate Hurdle

Amendments passed by upper house after sharp debate and sent to conference. Processors' tax suits made difficult. More commodities affected by law.

THE Senate, after long wrangling, and one or two minor revolts from Administration wishes, this week passed the AAA amendments and sent them to conference.

They bolster the AAA in 2 major respects: (1) making it hard to bring successful suits for recovery of taxes paid or for injunction against taxes due; (2) legalizing the former acts of the Secretary of Agriculture, and providing for legalization of future acts if so-called flexible provisions are later found unconstitutional.

Processors now look forward to presentation of the Hoosac Mills case in the Supreme Court this fall as the most important thing in sight. The court could simplify things by a decision that would take into account not only the original AAA under which this suit was first brought, but also the subsequent amendments now in conference and presumably on their way to become law. It is even possible that the government attorneys will bring the new amendments into the case themselves, rather than stall for time by letting the Hoosac case go and forcing another test of the amended act.

Absorption Proof Required

Meantime, what is the processor to do? Right now he is seeking injunctions by the score against tax payments (about 400 suits have been filed); but after the amendments are enacted he will not be allowed to sue to restrain collections, unless he can show the internal revenue collector that he has absorbed the entire taxes himself.

He cannot stop payment, for the collector is empowered to distrain his assets without court procedure. Lawyers say there is only one thing left for him and that is to ask the lower court for an injunction, probably be refused, and immediately appeal up through the Circuit Court to the Supreme Court for a test of the amended act.

On the Senate floor, with the AAA trying hard to put up breastworks after the remarks of the Supreme Court in the NRA decisions, there was long and sharp debate. The loudest noise was made when the recovery suit amendments were changed from an absolute closure of the courts to all processors into a closure that is milder in principle but nonetheless rigorous, since it bars all those who cannot prove they absorbed the tax. Noise was also made when senators urged an amendment requiring that the Senate approve all trade reciprocity agreements.

Beans, except soy beans, went out of the classes affected by marketing agreements, and olives and asparagus came in. Potatoes came into the fold as a basic agricultural commodity under the Warren plan, which resembles the Bankhead cotton control plan in that it taxes non-cooperating potato production. Incidentally, this scheme is regarded by AAA as more likely to be ruled unconstitutional than nearly any other part of the act.

At the last minute an amendment was passed empowering the Treasury to examine the books of any processsor bringing suit for recovery, and requiring presentation of testimony. Processors will not like this one.

Financially, the AAA is undisturbed. It has paid out about $900 millions and received about the same amount. In addition, it is committed for another $700 millions which it can't dodge, as the Senate included in the amendments a legalization of all contracts with producers.

Control Hinges on Revenue

Owing to injunctions, receipts are dropping fast, but that is not a cause for worry just yet, since until April 8, 1936, the AAA has work-relief money available to it. Matters will be different if processing taxes are eventually ruled out, as the benefits and rentals are too big to be carried on indefinitely. Either another good source of revenue will have to be found, or else benefits will have to go, and crop control along with them.

Meanwhile, processors will keep paying taxes, or getting injunctions, and AAA will keep collecting and paying out—both waiting for the thumbs up or thumbs down of the Supreme Court this fall.

Peak Tax Year

Collector of internal revenue reports handsome gains.

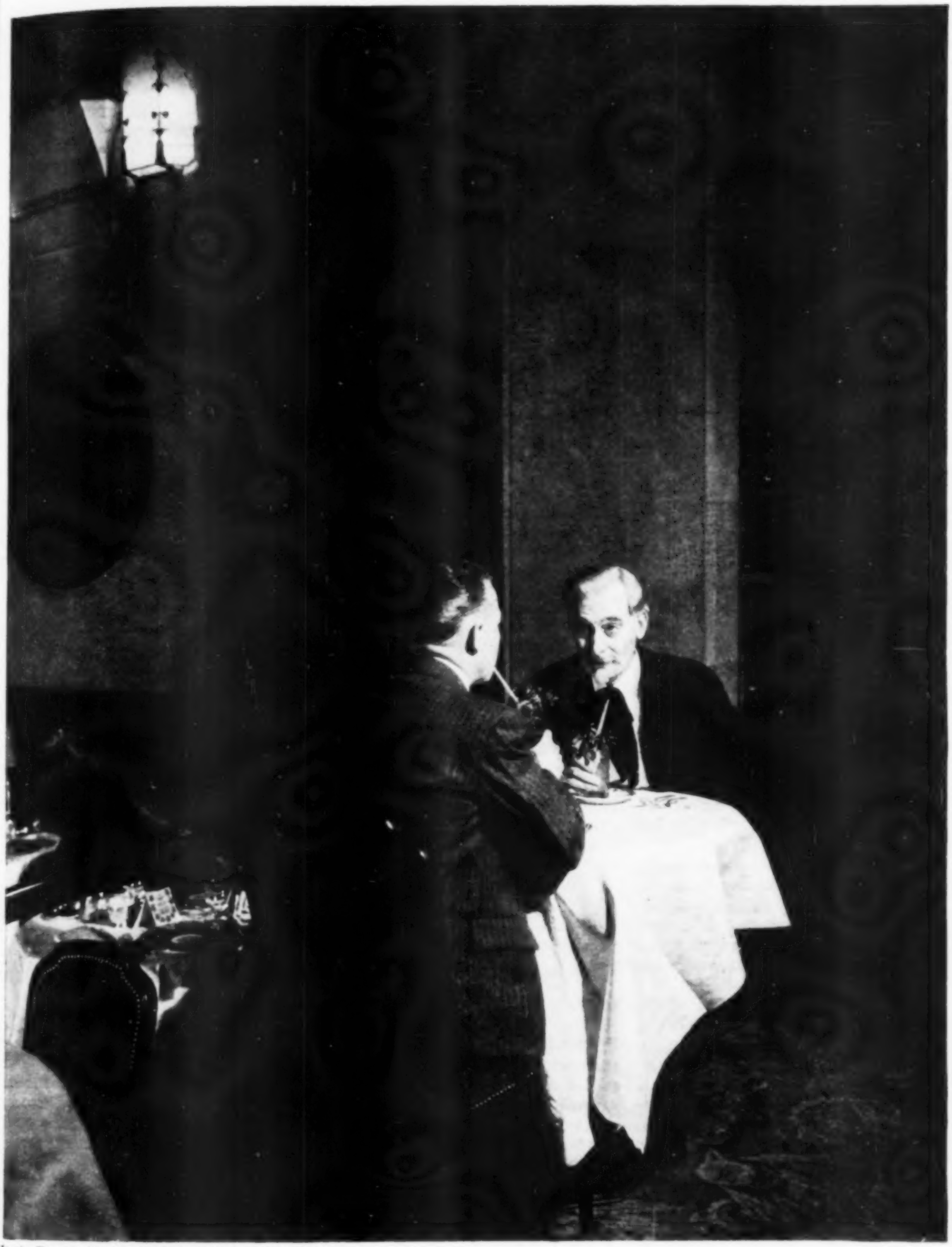
IN the fiscal year ended July 1, taxpayers handed the collector of internal revenue $1.23 for every $1 they had turned in during the 1933-34 year. Thereby they boosted internal revenue collections to $3,299 millions, making it the biggest year the Treasury has seen since 1920-21, when wartime income and excess profits rates were still in effect. (Last year's total was $2,672 millions; in the 1932-33 period, it was $1,620 millions.)

Customs receipts also jumped—to

Keystone

Underwood & Underwood

RESETTLEMENT SETTLES DOWN—At your left, Rexford G. Tugwell, Administrator of Rural Resettlement, points out something to Assistant Administrator Will W. Alexander. (Purely a posed picture; Mr. Alexander is an expert and knows the map well enough himself.) At your right, RRA's new Washington home. It's on upper Massachusetts Avenue and used to be the home of Senator Thomas J. Walsh, who died March 2, 1933, just 2 days before he would have taken office as Attorney-General.



In the Terrace Room, Hotel New Yorker, New York.

". . . . so we're thinking of tightening up on southern credits, Colonel, until the AAA's cleared up in the courts."

"That's your business, sir. But Business Week *says farm income is still going up and our country's been leading the agricultural revival for two years. No AAA decision can cancel* that."

$343 millions against $313 millions in the preceding year. Seigniorage, canal tolls, and other miscellaneous receipts outside of the internal revenue collections were up about $18 millions.

Star Performers

Biggest money makers for the Treasury during the year were corporate and individual income taxes, processing taxes, tobacco and liquor taxes, and the nuisance levies. Gains over the preceding year were chiefly in 3 divisions: incomes, with $282 millions of increased receipts; processing taxes, with a boost of $155 millions; liquor taxes with a jump of $152 millions.

Application of higher gift taxes in January resulted in the tremendous percentage increase of 680%. Estate taxes leaped almost 40%. Corporation and income taxes went over the billion mark, totaling $1,099 millions, slightly more than half representing individual income taxes. Gain in these classifications was $282 millions. Receipts from the hog processing taxes were up $107 millions.

Decreases of consequence were infrequent, but the collector lost $41 millions in gasoline tax receipts, $58 millions in the repealed taxes on boats, candy, soft drinks, and dividends, and $48 millions in cotton processing taxes.

THEY SHALL NOT SUE!—That was the demand of Attorney-General Cummings (left) and Secretary of the Treasury Morgenthau (man in white) when they appeared before Senate Banking and Currency Committee to argue for bill preventing gold-clause suits against the government. Sitting behind them are Herman Oliphant, powerful general counsel of the Treasury; Solicitor General Stanley F. Reed (head partly hidden), and grave young Thomas J. Coolidge, Undersecretary of Treasury. At head of table is Senator Fletcher, chairman; at right corner is Senator McAdoo; and slumped down beside him is Senator Glass.

Tin Troubles

Tin restriction committee is censured by consumers and British government when it allows spot prices to fluctuate $45 in day.

TIN is in trouble again. Spot prices in London, the tin center, were $45 a ton above futures prices one morning this week. Before the day was over they were down again, but not before the tin-consuming public and the British government had protested to the International Tin Pool, which has almost complete market control.

One of the avowed purposes of the Pool is to eliminate speculation in tin. In the past, this accounted for price fluctuations more extreme than in almost any other metal. Virtually all the great producers in the world are members of the Pool, and it is their avowed intention to keep prices stable at levels which *they* consider fair. When speculators got caught short this week, the Pool refused to come to their rescue. But when the consuming public—and the British government—protested so vigorously, they loosened up, allowed some of their surplus stocks to go to market, brought the price back in line.

London's respected *Financial News* reflected popular opinion in its acrid comments on the flurry: "The developments and dangers besetting the British industry make it imperative for the Colonial Office now to consider the future of British industry rather than of the world market. This does not necessarily mean the abolition of the restriction scheme, but requires the lowering of the tin price, and relief of the scarcity of supply."

Since the United States is the largest consumer of tin and has virtually no domestic supply, the *Financial News* adds this note, reflecting the views of British investors in tin shares: "The new endeavors of the United States to build up its own tin smelting industry may become most dangerous for the British tin smelters. The McReynolds bill, which is now before Congress, clearly shows that the treatment of the Bolivian ores in the United States is to be compulsorily developed. Even if the prospects of the McReynolds bill's receiving the approval of Congress do not seem very rosy at the moment, it is very much in Great Britain's interest to pursue a generous policy concerning both the price of tin and its adequate supply to the market."

War-Share Boom

European investors, anticipating war scares—possibly war, start a rush for "war stocks."

EUROPE'S war tensions are reflected in stock prices of the so-called "war" shares on London and Paris markets.

Business Week asked its correspondents in France and Great Britain to compare the price advances of outstanding "war" shares with the general trend of the market. Taking the quotations on the various stocks at the beginning of September last year as a base, the trend is indicated by index figures:

	January, 1935	*July, 1935*
France		
8 war shares	96.9	152.9
Index of 300 shares*	91	103
Great Britain		
10 war shares	103	143.9
Index of 40 industrials†	103.9	109.9

*Statistique Générale de la France
†London *Sunday Dispatch.*

In both cases, aeronautic shares play an important part because of the emphasis on the new air defense programs in both countries. Of the 8 war shares in France, 3 are aeronautic, 3 are stocks of big steel, arms, and munitions manufacturers, 1 automotive, and 1 shipbuilding.

Five of the British shares are directly connected with aviation, 4 with steel, arms, munitions, and auto transport, and 1 is a food stock considered representative of a field very important to Britain, which is largely fed from abroad.

No genuinely comparable list of American stocks can be compiled because there are no industries in this country so strictly devoted to arms and munitions-making as in Europe. *Business Week* has compiled a list as nearly comparable as possible—including 5 aeronautic

shares, 2 munitions, 1 steel, 1 shipbuilding, and 1 food stock. Share prices of nearly all of these stocks have been more affected by peculiar domestic developments than by the war scare in Europe. Nevertheless, as a basis for comparing trends, and using the same base for an index, the 10 war shares topped 110 in January, dropped below 100 at the beginning of July; the *Herald Tribune's* index of 100 industrial stocks, computed on the same index base, stood at 103 at the beginning of the year, 106 by midsummer.

War Makes Business

War scares in Europe and Orient bring prosperity to certain suppliers, cause shifts in markets.

CALIFORNIA and Florida lemon growers are expecting new markets for lemons as a result of the Italo-Ethiopian squabble. A recent demand from Europe is blamed on the diversion of Italian citrus fruits from their usual markets to the sizzling desert camps of the Italians along the Red Sea.

Dairy markets blame the $12 rise in the price of a drum of Parmesan cheese on Mussolini's African adventure. The cheese, it seems, is a staple for the Italian army.

Belfast is optimistically looking for a boom on the linen market. Linen mills worked day and night during the last war preparing fine quality linen for the airplane industry. They forget that most modern planes use lightweight alloys where linen was once used exclusively. However, Britain's air budget has recently been increased from $119 millions to $150 millions, which means a lot of business for airplane manufacturers.

Chile has pulled herself from the depths of the depression with huge sales of nitrate and copper. Japan has been a big market. So has France, where military stores of both materials have been greatly enlarged.

Did Shopping Early

Dealers in copper, lead, and zinc—while they admit that there is a fair volume of current buying for military account—claim that Europe did its real war shopping a year or more ago. France, in particular, laid in supplies early, and Germany bought in larger volume last year than in the first 5 months of 1935. Italy and Japan have been stepping up purchases regularly. British gains are now partially attributed to increased activity in the war industries, though industries have been using much larger volumes for normal business recovery.

Lead consumption last year was greater than in 1929 in Belgium, France, Britain, Italy, Sweden, Switzerland, and Japan. Zinc consumption was greater only in Italy, Scandinavia, and Japan. Heavy demand for antimony in Europe pushed up the price of this Chinese-produced product from a little more than 5½c in the beginning of 1933 to a little more than 12½c now.

Japan Active Buyer

Japan and Italy continue to buy vast quantities of scrap iron in the American market. Japan, due to the expansion of the armament industries and the huge construction program in Manchukuo, has also been buying old ships in Britain. Italy has recently bought 1 British and 2 Greek vessels.

After 2 years of mad scrambling to use substitutes in everything that Germany does not produce, Berlin military authorities have finally admitted that they need some of the good old staples if they are to carry through Hitler's huge rearmament program in the required time. Best guess now is that they will use their export subsidy to pile up foreign credits with which they can buy raw cotton, wool, copper, and oil abroad. These purchases will probably run to 150 millions this year.

Russia is a huge buyer of materials which can be used either for war or peace. Machine tool purchases of the last 2 years are supposed to have been directed toward the building of a domestic industry which can produce its own munitions and guns, preserve its own food to supply the army, build up its transport system, *first* in strategic areas.

Trade Conflicts

German foreign trade runs into trouble in United States, France, and Rumania.

BERLIN (*Special Correspondence*)—Internally, Germany has achieved a rather remarkable degree of business recovery under the Nazi régime. Stimulated by tax rebates or exemptions, the public works program, and rearmament, industries in many lines are working near capacity.

Least satisfactory in the whole economy is the failure of the country to develop foreign markets. Germany's own refusal to buy more than is absolutely necessary from abroad, the universal drive for self-sufficiency, and the boycott have steadily cut down export business.

Within the last few weeks, the outlook for foreign business has been darkened by developments in the United States, France, and Rumania.

In 1934, Berlin took the initiative in denouncing the commercial trade agreement with the United States. Consequently, the old treaty with its unconditional most-favored-nation clause, to

Business Week

DIME STORE DESIGN—Evidence that sales appeal and operating efficiency can be stepped up by modern design even in the field of inexpensive utility articles is offered by the Washburn Co., kitchenware manufacturers. Above, some specimens from the old line; below, the new, as designed by Henry Dreyfuss. The tapered handles fit the hand better, and the metal insert in the ice pick handles prevents rolling, makes ice-cracking easier. Sales response has been prompt.

which Germany particularly objected, is to terminate Oct. 15, 1935. True motive of the German government at the time was to force the United States into a new agreement which would allow for the balancing of the trade between the 2 countries through the larger sale in the United States of German goods. When the United States refused to negotiate any new agreement, there was nothing to do but accept the rebuff.

Washington ultimately agreed to drop the most-favored-nation arrangement. This looked good to Berlin until the United States began to negotiate its new reciprocal trade pacts, which granted benefits to countries that produce goods directly in competition with German goods. Unless the situation is radically changed in the next 3 months, Germany is going to lose one of her best markets for a number of staple lines.

Trouble With France

Another serious conflict has arisen in Germany's trade with France. The French, who took the initiative in denouncing the trade agreement of July, 1934, wanted a free hand in allocating import quotas on a reciprocity basis. Germans urged, in place of the clearing arrangement which has functioned for some time (but not too happily for either side) the fixing of the ratio between total imports and exports, leaving the settling of accounts to the free discretion of traders on both sides. Negotiators failed to come to terms, with the result that Germany must settle old obligations before France is willing to consider a new agreement.

Finally, Germany has run into trouble in Rumania, the country in which hopes were placed for the development of a large trade in the Danube basin. Rumania took the initiative in this case, raised prohibitive duties on imports to provide a subsidy fund with which to push Rumanian exports.

Japan vs. Canada

In new tariff battle between these two, the United States is likely to get more Japanese business.

OTTAWA (*Special Correspondence*)—Canada and Japan are in the midst of a trade battle in which the United States, as a mere onlooker, is likely to be the victor.

When Japan devalued the yen, Canada immediately imposed a special anti-dumping duty on Japanese imports, just as had been done with British goods when Britain devalued the pound.

Japan allowed this condition to go on until lately. Then, viewing the badly unbalanced trade between the 2 countries (Canada sold Japan about $17 millions in goods last year, while buying a bare $4 millions from her), Japan insisted that the special levies against her be removed. Canada replied that this would be discriminatory.

Last week, Japan imposed a 50% surtax on the principal Canadian imports because they come from a country "discriminating against Japanese goods." Canada promptly retaliated with a 33⅓% ad valorem duty on all Japanese imports. There is some vague talk about "further conversations."

Canada's main exports to Japan are lumber, woodpulp, newsprint, nickel, asbestos, canned salmon, and wheat. British Columbia supplied most of the timber products and salmon. Washington and Oregon neighbors are gloating over the new developments. They have a surplus of both timber and salmon.

Better Than 1929

Key industries in Sweden are more active than in 1929. Rising employment and steady living costs stimulate big building program.

SWEDISH business is better now than it was in booming 1929, though there are a few more workers without jobs.

The iron and steel and the paper industries are the backbone of Swedish business. More pig iron was produced last year than in 1929, and far more steel. Sweden's own extensive construction program and retooling of foreign plants account for the improvement.

The paper and pulp business has been a little slow this year because of the inability of Russia and England to come to terms on a new timber and pulp agreement until recently; and the final pact provided for business at lower prices than the Swedes had wanted. Nevertheless, volume has been better in most lines than in 1929, and prices are again firm.

The index of industrial production, compiled by the Federation of Swedish Industries, shows that all industries are operating at about 91% of 1929 volume, but, considering the fall in prices since that time, it is considered that business is probably greater now.

Shows Building Boom

Mortgage banks reflect the building boom. Leading savings banks in certain parts of Sweden are offering to take first-class mortgages within half the assessed value of the property at 2¾% to 3%. In general, all interest rates are still declining. Recently, investors have been showing a preference for low-yield short-term paper, keeping them comparatively liquid and able to profit from any increase in rates.

Within the last few months Sweden has received some foreign capital for investment, indicating both a lack of confidence at home and a good deal of optimism over the Swedish outlook.

Living costs are considerably lower than in 1929 though the drop to the trough of the depression and the recent rise are much less marked than in most countries. Sweden credits this to the policy of a managed currency and careful regulation of its financial life.

Business Abroad

Currency crises develop in Italy—precipitated by war costs—and in Holland, as opposition to "gold standard" government mounts. Business booms in Britain; profits rise. France continues to offer no serious opposition to Laval's drastic economy program.

WAR, or the threat of war, often hides serious economic troubles in a country. This is the case in both Germany and Italy. Neither has control over adequate sources of raw materials to support highly developed domestic industry, particularly at a time when the normal flow of international trade is restricted by trade barriers in almost every country. Both are painfully conscious of the advantages which empires give to Britain, France, Holland, and to the benefits which Russia and the United States derive from their vast territories well supplied with all kinds of raw materials.

Berlin Camouflage

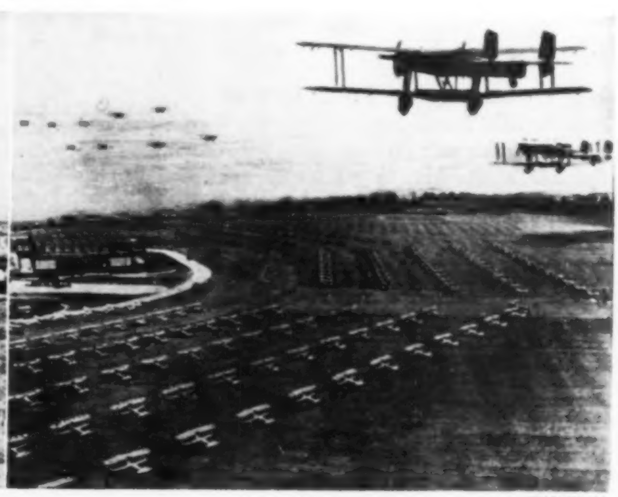
Berlin's new drive against the Jews and the revived controversy over the church will help to hide an internal economic situation which cannot continue to improve unless the foreign trade deadlock is broken. Actually, both moves antagonize foreign trade. Shrewd neutral observers, however, may be convinced by the developments that it would be better for the world as a whole to help than to balk Germany in her more reasonable demands. The British obviously are reaching this conclusion, though only a few years ago they were as bitter in their denunciation of these Nazi tactics as anyone. France, even, is considering more seriously Berlin's invitation to talk armaments and trade. In both Britain and France, there is the fear that it is "Hitler or chaos." A similar alternative not long after the war brought foreign financial aid and moral cooperation to a German government even from its former enemies.

Several significant gestures have been made recently to get Mussolini to abandon his African adventure. In each case, face-saving compromises were proposed, indicating a full understanding of the seriousness of the internal Italian situation with which Mussolini is faced. None has been sufficient so far to call off his projects. Possibly other governments could not offer Rome enough concessions to smooth Italy's thorny economic path and yet retain the support of their own people. Britain, more than any other country, seems to realize that the alternative course may ultimately be more costly. It is not easy to visualize Italy winning the firm foothold along the Red Sea which would come if she combined Ethiopia with the 2 colonies already located there, without threatening seriously Britain's hold in northern African colonies and on the vital trade route through Suez to the East. Paris would probably be willing to see this hold weakened, up to a certain point. Tokyo would probably be delighted. Berlin probably has mixed feelings in the matter. Since the British agreed to Germany's new navy, it is possible that the Germans have revived their hopes that Britain will give back to Germany some of the African colonies in return for cooperation in maintaining control of the rest of them. Of the 5 European countries which virtually hold all of Africa, Belgium is always tied to France, and now France and Italy have struck up a new friendship which London is inclined to view as far too intimate. Little Portugal could offer only meager support to either side in a conflict. Britain is interested in winning a new ally, unless France and Italy can be bargained apart.

Mussolini Forced to Pay Cash

The real seriousness of the domestic Italian situation came into the limelight this week when Mussolini was forced to admit that he could no longer keep up his foreign commitments without digging into the country's gold supply. Best estimates now are that war purchases have run up to $120 millions since the East African scheme became a definite project. Italy is heavily dependent at all times on foreign supplies of iron, coal, cotton, and oil. Trading nations, pinched by the depression and painfully conscious of the difficulty of paying for a war after it is over, are beginning to demand cash on shipments to Italy, or some guarantee of payment. The Italian government, in making it legal for the Bank of Italy to cut below the 40% gold cover for the currency if necessary to meet foreign obligations, is simply preparing for a drain which is likely to continue for some time. Overlooked by many is the fact that Italy might have found herself in this same situation ultimately even without the abnormal war expenditures. Mussolini has decided to gamble on it in the hope of coming out with a military victory and an African colony of conse-

Wide World



Wide World

THE BIG PARADE: 1935—With Versailles armament provisions virtually just another scrap of paper, major European powers all look to their weapons of war. Public displays are the order of the day, and munitions stocks boom accordingly. One of the first units in the German army to be brought completely up to date, in accordance with Hitler's promise to rectify the Fatherland's "bleeding borders," is the tank corps, just officially reviewed for the first time. Meanwhile, the English are made aware that it is no longer sufficient for Britannia to rule the waves. Britain's budget for new aircraft is increased from $119 millions to $150 millions as the King's Jubilee review of 360 planes reveals critical deficiencies in her air defense.

quence, where Italian energy can be expended instead of at home where it sooner or later would embarrass him.

Watched almost as closely by most economists were the signs from Holland that the present Dutch government—conservative and pledged to "save the guilder" on its present gold standard—showed signs of falling before a mounting opposition. There are few who expect that the gold bloc can last throughout this year. With only 3 currencies left, the defection of any one would surely affect the other 2 profoundly. If the Dutch government falls, the new government will almost surely be pledged to devaluation, in spite of the fact that Belgium—which devalued only recently—is still having trouble balancing its budget. Even Laval's vigorous economy program may not be able to save the franc for long if this happens.

Germany

New anti-Semitic and religious drives worry business leaders. Shipping shares slump following reorganization announcement.

BERLIN (*Wireless*)—Business is suffering from the renewed purging which the more radical wing of the Nazi party is carrying out now, especially in the capital. At the same time, the press reflects an emphatically anti-capitalistic turn on the part of the Nazis.

While business is worried over probable repercussions from these developments, the stock market continues active except for the slump in the shares of the 2 great north Atlantic shipping lines—Hapag and North German Lloyd—following the announcement that the lines are still losing money and will be reorganized. A capital reduction is expected, probably at the rate of 5 old shares to one in the reorganized companies.

Great Britain

Big profits reports boost flow of new capital issues and add to business optimism. Britain prospects for oil at home. First ice-cream vending machine is popular.

LONDON (*Cable*)—The heat and the peak of the vacation period (which comes in late July and in August in England) is causing some slackening of business activity in Britain, but the tone is remarkably firm, and there is no letup in the flood of new capital issues. London's electric transport loan of £32 millions—which has government backing and is the first of further extensive public works developments—was heavily oversubscribed. Further big issues will be offered soon, including £13 millions for Australia.

Lloyd George's dramatic appeal for his New Deal has failed to impress the coalition government now in office. The government contends that recovery is now making steady advances at a healthy pace, and that there are plenty of funds available to advance sound new undertakings. To embark on the vast spending program advocated by the wartime prime minister would be foolish in the eyes of most officials. Undaunted by this rebuff, Lloyd George has announced that he will lead a new party in the coming general election campaign. This is bound to draw some votes from the national government constituency, and in this way play into the hand of Labor.

Military Equipment Obsolete

War continues to be a topic of conversation in London. The end of the Silver Jubilee celebrations, with the extensive naval, military, and air reviews, has focussed attention on the dangerous obsolescence of Britain's military equipment and is likely to bring more votes to the "arms modernization" candidates.

There is no longer any hope of avoiding the Italian-Ethiopian war. The real fear in Britain now is that the English—with their vital interests in Egypt and the Sudan, and in the Red Sea—may not be able to keep out of the struggle, despite the general abhorrence of a new war.

When second quarter earnings figures were released, they offered plenty of evidence for Britain's optimism over the business outlook. Here is a summary record of profits in the leading industries for the 12 months ending in June compared with the previous 12 months taken from *The Economist* (London):

Industry	*No. Cos.*	*% of Change*
Rubber	345	+292.2
Iron, steel, coal	144	+ 85.4
Electrical equipment	27	+ 41.3
Telegraph, telephone	9	+ 41.2
Building materials	58	+ 33.9
Automobiles, aviation	41	+ 30.2
Food, confectionery, drink	75	+ 26.6
Financial, land, investment	155	+ 26.3
Investment trusts	211	+ 24.6
Breweries	104	+ 23.7
Oil	18	+ 14.3
Hotels, restaurants	31	+ 12.9
Electric power	44	+ 8.8
Shops, stores	88	+ 8.0
Textiles	90	— 0.2
Gas	43	— 2.2

The tin plate business in South Wales is so prosperous that Richard Thomas & Co., steel and tin plate manufacturers, are planning to increase their capital and erect a modern strip mill with a capacity of 150,000 tons a year. Cost of the project is £1 million.

England Searches for Oil

As a result of the British government's decision to grant licenses to prospectors for oil in Great Britain, a large works has been opened in Stockport for the manufacture of oil-well equipment. Much of the plant had been transferred from Salzgitter, Germany.

The Salzgitter organization, which is now controlled by an English company, has already had wide experience with oil-boring in Rumania, Russia, and other parts of the Continent.

One of the first places in which equipment will be erected is Worth, Sussex, which is considered to be one of the most promising of the oil locations.

The utilization of dry ice is the basis of an invention by James Woodrow Smith, of Gosforth, Cumberland, which permits the development of automatic slot-machines for ice-cream bricks. Five thousand of these automatic machines, each carrying 100 ice-cream bricks, have been manufactured by a Durham firm, and a retailer at one resort alone on the West Coast of England has ordered 200 machines for this summer.

The Institute of Hygiene has tested the machine, and has certified that ices can be kept fresh for 96 hours. A Sunderland firm has been granted the contract for manufacturing the cartons—about 50 millions of which will be required for the 5,000 machines already made.

France

Emergency economies are still accepted without serious protest. Weakness of the Dutch guilder is reflected on Paris Bourse. Political parties turn to the left.

PARIS (*Wireless*)—Laval's emergency economy decrees have to date been comparatively well received in France, though the program is so far-reaching its ultimate success cannot yet be definitely determined. There is already an opposition, but so far the government has been able to control it. The immediate cut in rents (by decree) will do much to compensate for the loss of salary among government workers, and other moves to cut the cost of food essentials are expected soon. Meat is next on the list, the government having announced this week that it would attempt to cut costs to consumers by building local slaughter houses as paying public works projects, and on this new base to reorganize the entire meat distribution system.

Holland Worries Paris

The slump on the Bourse this week was directly due to the situation in Holland. The present government is pledged to maintain the Dutch guilder on its gold base, but is running into trouble carrying out its deflation program. This caused some uneasiness over the ability of the cabinet to handle the situation. With only Holland, Switzerland, and France remaining on the gold standard, the threat that any one of them may depart from it is bound to influence the others.

That the financial and monetary situations in France are improving is evident from the drop in the French discount rate last week and the anticipation in Paris that there will be another 1% reduction within a fortnight. This not only assisted the government in its financing, but marks the return of soundness in the money market. Nevertheless, second quarter tax returns are 15% below estimates, and 6 months' receipts are 8% below the 1934 figures, indicating declining business activity.

Americans who are following the situation in France with more than ordinary interest should be aware of certain shifts in the political party lineup in France. The Radical Socialist party is

Globe

BETTER BRITISH HOUSING—While Lloyd George is agitating for a nationally-financed housing program among other spending projects, the private home construction boom, nurtured along by building societies and municipal authorities, continues to stimulate creation of an increasing number of model communities such as that near Kingston on the outskirts of London. More than a half million homes have been built in the last 2 years, 2½ million since the War.

moving very definitely toward the Left. M. Herriot, party chairman, has already made it plain that he will not support this shift toward the political policies of the Socialists and the Communists, and that he will not run for reelection as party leader at the fall convention. It is currently anticipated in Paris that M. Daladier, who is at the present time at the head of the Left Wing of the party, will be chosen to succeed M. Herriot. If the situation does develop in this manner, a new group who are likely to call themselves the Front Populaire and who include the Radical Socialists, the Socialists, and the Communists, will become a dominating factor in French politics.

France Turns Left

It is generally expected in Paris that the country will be confronted before the end of the year with the following alternatives: either Laval will be able to put through his reform program and will become virtual dictator free to act without any serious restrictions by parliament, or he will simply work on his reform program until fall when he will be overthrown by the Front Populaire, which will constitute a new government centered at the Left. If the latter comes to pass, it is quite possible that very drastic socialistic measures will be enacted (possibly government control of the banks and public utilities, nationalization of insurance companies, and some kind of heavy income supertax or aggressive estate tax). Biggest damper to the success of such a program would be the Senate, which is still relatively conservative, and which would head the opposition in rousing public opinion. As far as the franc is concerned, it is uncertain what might be expected. Normally, the radicals would clamor for devaluation. Actually, the difficulties which the Belgians are having in balancing their budget, despite the 28% devaluation of the belga, is cooling off the enthusiasm of the devaluationists.

Soviet Union

Moscow refuses new German credit, demands normal prices on German goods in future dealings.

Moscow (*Cable*)—It is more evident in Moscow this week that Kremlin authorities are going to use as little of the German credit of $80 millions—offered early this year for Russia's use in purchasing German goods—as is possible. It is claimed that Germany is attempting to charge abnormal prices for the goods, thinking that the huge credit in itself will be enough to assure them the business. Moscow, not friendly with Hitler anyway, is showing an absolute lack of interest now that France is more friendly, Britain is showing a keener appreciation of the possibilities of Russian trade, and the United States has come to terms on a 1-year agreement which has a good chance of being extended and enlarged.

It is rumored in Moscow now that German officials have gone so far as to propose a loan of 1 billion marks to Russia. Germany desperately needs raw materials which Russia has. Germany produces manufactured goods which Russia could use. But the Soviet officials have refused to consider the proposition and are asking that German prices be reduced to normal levels if Berlin expects Russia to absorb even the credits now available.

Moscow's plan to build 80,000 freight cars this year, it appears, is going to be more than fulfilled. In the first half of the year, more than 35,000 cars were turned out in the reorganized shops, and the rate of production is accelerating rapidly. If the builders reach their goal for this year, they will produce more cars than were built during the entire first 5-Year Plan. More energy, leadership, and expenditures are going into the development of the country's transport system this year than ever before under the Soviets.

Canada

Dominion's C.C.F. party announces its platform; country awaits plans of 2 major groups.

Ottawa—Political platforms—all concerned with the economic system and the way the business of the country is run—are the order of the day. Stevens started the flow with his manifesto of the new Reconstruction party (*BW—Jul20'35*). Woodsworth quickly followed with a manifesto containing the program of his Cooperative Commonwealth Federation. Mackenzie King, Liberal chief, will announce the program of his party in a series of country-covering broadcasts commencing toward the end of the month. Bennett will speak for his government and the Conservative party after he returns from a short holiday. The full choice of medicines for the ills of the economic system will all be before the people in a couple of weeks.

Canadians who aren't content with a dry-cleaned and renovated economic costume but want an entirely new outfit have only to make James Shaver Woodsworth prime minister by returning his C.C.F. party to office. Woodsworth has no patience with economic patches. He proposes to scrap capitalism completely, socialize the state. First of all, he would socialize the banking and financial machinery of the country, to destroy the "monopolistic concentration of economic power in the hands of a small group of big financiers and industrialists who exploit the masses of the people for their own private profit and who refuse to allow the machinery of production to work at full capacity unless they can levy toll from it."

Socialist Platform

More immediately applicable planks in his platform are: unemployment relief on a decent living scale; social insurance embracing unemployment, sickness, accident, old age, together with socialized health services; national minimum wages; guaranteed minimum income for farmers.

Unlike most radicals in this country, Woodsworth is a native Canadian, descendant of Canadian pioneers, some of whom fled the United States after the Revolution. He has had an interesting career, being successively school teacher, minister of the gospel, university lecturer, social service worker, longshoreman, legislator. He is not expected to poll a heavy vote.

Money and the Markets

Finance expects a fall recovery and so is less worried by Congress. Prices prove they can stay up, and that's reassuring. Reserve member banks expand commercial loans, and stocks and bonds keep on the upgrade.

ALL signs point to substantial business recovery and activity in the financial and commodity trades this fall. With this in mind, financial interests are able to view with a moderate degree of equanimity the continued dilly-dallying of Congress.

It has been thought right along that Congress would continue its work into August, but recently scares have developed on the possibility of an even longer time before adjournment.

As far as financial markets are concerned, there is very little interest in the renewed stirrings of the inflationary blocs at Washington. Their cause is not a popular one at the moment. Besides, they have been amply rebuffed during this session.

Nevertheless, the mere talk of a drive for such things as bonus payment, in the event the congressional session is extended much longer, made a topic of conversation this week.

Await Fall Revival

More than anything else at the moment, there is a tendency to accept the summer period for its usual dullness and to watch for the budding of the fall revival. Markets in general are quite steady, there is more than enough investment demand to keep money cheap and investment markets firm, and there is apparently no destructive force of any kind assembling to disturb the scene. Hence the present static condition is a comfortable one in nearly every direction.

There is considerable reassurance in the now demonstrated ability of price structures to stand on their own feet. The fear of nearby price collapses in several fields soon after the NRA decisions has not been borne out. In only one or two commodities have prices felt more than a mild shock, and in one of these, copper, a strong foundation promptly reared itself after the first rush of concessions had been made. Elimination of artificialities has undoubtedly helped to prove the underlying soundness of price levels.

This, of course, does not apply to the commodities subject to the AAA. In these there are price relationships with the operation of the act which could be seriously troubled if AAA were to follow in the path of NRA. So there has been a certain amount of uneasiness since the Hoosac Mills decisions in Boston.

Political developments in the Netherlands were the main influence in the foreign exchange markets during the week. The sharp decline of the guilder was reflected in a general easing of exchange markets. Italy also was involved in exchange unsettlement upon the not unexpected announcement by the dictator that gold coverage provisions were being suspended.

Reserve Members Expand Their Loans

EXPANSION in commercial bank loans was shown for leading Federal Reserve member banks last week. This was the first upturn in 3 months. If it signalizes the start of a seasonal upturn, it is a trifle early, although expansion started during the same week a year ago. It is not crop-moving money because it is mostly in Eastern banks.

For 3 months there has been liquidation in every type of bank asset except direct and guaranteed government securities; and a new investment of $27[illegible] millions in these has absorbed little of the $1 billion demand deposits added during the period.

The government has taken $500 [illegible] millions out of the banks by using up its cash balance. But the net addition to deposits, plus proceeds from liquidation in loans and other investments, has piled up in idle reserves, which are now [illegible] millions higher than they were in April.

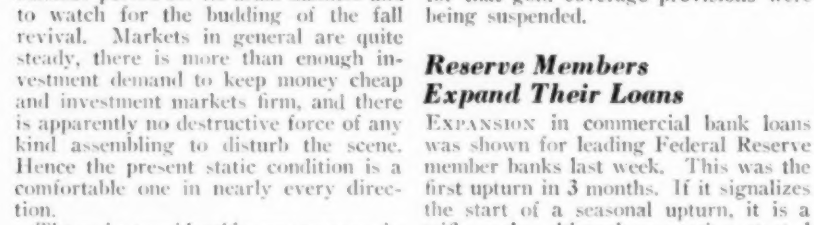
However gorged they may be with money, banks always have something to worry about. Just now there is concern about the tremendous volume of correspondent balances with the big banks. At some remote date the country banks will draw these down to meet demands in their communities. Should this occur suddenly from all over the country, big city banks holding the balances would have to liquidate securities or borrow from the Reserve, despite large excess reserves on hand.

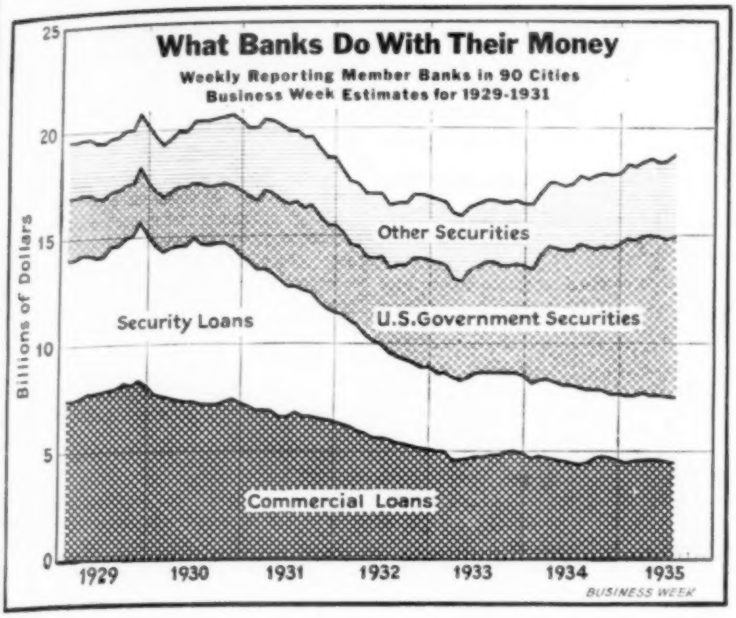
The reporting member banks have $4.4 billions due to other banks, and only $1.8 billions due from other banks. That means they hold a net of $2.[illegible] billions for smaller banks—about $[illegible] billion more than is customary. New York banks hold $1.8 billions of these correspondent balances, Chicago banks $316 millions, and Boston and Philadelphia banks more than $200 millions between them.

New Financing Calms Down

NEW financing this week by no means compared with the very heavy volume of new offerings on the market last week, which was something of a record for this usually dull season. Underwriters now expect the volume of new issues to settle down to a summer rate.

Nothing in the current period compared with the $70 millions of Duquesne Light Co. $3\frac{1}{2}$s which were sold last week. Commercial Investment Trust





offered 250,000 shares of convertible preference stock at $100 a share this week, and Public Service Co. of Northern Illinois had an issue of $16 millions of 4½s on the market. Armstrong Cork Co. presented $9 millions of debentures, and Associated Telephone Co., Ltd., offered $8.5 millions. In the state field, Louisiana was out with $1 million of 5% serial highway bonds.

Registration of new issues with the SEC has slowed up appreciably, despite the continued attractive character of the capital market. Nevertheless, investment bankers look for more than the usual quantity of business within the next few weeks, considering the season.

Stocks and Bonds Keep Plodding Up

THE industrial division in both the stock and bond markets has easily featured the bull side of things. Average prices of the industrial shares and bonds continued this week to work into new high ground for the year, not with any sensational vigor, but nevertheless with steadiness.

Industrial stocks for 2 months have been particularly good examples of the kind of market under way. In all that time there has scarcely been a single violent advance, yet the price record is one of practically continuous rise, and the net change is quite respectable. Industrial stock prices are now back to early 1934 levels. Only two setbacks of consequence have occurred since May 27. First was the post-NRA-decision decline and second was the decline following the President's tax message. Neither was of more than temporary duration.

The quality of news feeding the movement has been worthy of the gains. Interim reports of Chrysler and General Motors, showing excellent earnings, are an example of the type of background the motor stocks have. Steel shares have been similarly helped by production increases that run counter to the usual trends of the season; and in many industrial departments stocks are benefiting from the fact that seasonal recessions are less than were expected. Machine tool companies have recently been among the fortunate.

Italian obligations continue to furnish the drama in the bond market. Italy's decision to suspend temporarily the gold cover renewed the weakness in Italian bonds.

Duplicating the situation in the stock market, utility and railroad bonds have been less strong than industrials. Government bonds had a good share of activity this week, with some fractional new highs for the year among the long-term issues, although investment demand is chiefly centered on nearby maturities.

A Bit Cagey About Crop Damage

THE grain markets have reached the point where they are treating crop damage reports with caution; and price changes, as a result, have narrowed down somewhat.

Although the descriptions of rust infection sent in from the Northwest by experts are in many cases hair-raising, it is realized in many quarters that if it were not for the rust damage the spring wheat crop would be a whopper, and that the reduced crop is nevertheless large. Consequently the basis for advancing prices is tempered to some degree, at least until harvest time shows the actual loss in yield per acre.

Meanwhile harvest returns from the winter wheat belt are a little disappointing, which fact is an aid to prices. Also, Canadian reports are not as sanguine as they were a short while back; there is some recession in ideas as to the size of the crop. Corn was considered to have had good growing weather this week, and the grain trade is looking for an increase in the next official estimate of the crop.

Grain markets were not at all sensitive to the Hoosac Mills AAA decision, but cotton was. The spot market and nearby futures in cotton are pretty rigidly circumscribed affairs, with the government frankly announcing recently that it would have a corner on the world surplus of American cotton on Aug. 1.

Prices for distant futures, however, reflect neither fear of corners nor any faith in the AAA and the cotton-control plan, even though Senator Bankhead continues to warn cotton-textile men that cotton will never be cheaper.

Jesse Jones Knuckles Down—to Marbles

RFC is reduced to playing marbles. In June the giant credit corporation made new authorizations and commitments totaling a mere $157 millions, of which $50 millions was simply reinstatement of a Commodity Credit Corp. advance which had been cancelled. Authorizations to closed banks totaled only $14 millions.

Reporting on the fiscal year ended June 30, Jesse Jones said that the year's net income was $41 millions and that the surplus now totals $100 millions, an amount depended upon to cover eventual losses not now carried as losses.

The most fun for the RFC chief this week was the dicker with Ickes of PWA whereby the RFC arranged to buy $236 millions of municipal and railroad bonds from PWA. The swap was made on a 4% basis, except for $21 millions of New York City bonds, which were to be accepted on a 3½% basis. A lot of the securities are high class, and with the capital market as full of low yields as it is, Jesse Jones has evidently got a nice bargain on some of the obligations.

RFC has also put a finger into legislation. It suggests that the banking bill provide a method for banks with doubtful assets to clean up their balance sheets without any injury to stockholders.

Under the plan, banks would be allowed to cut the par values of preferred and common stock to offset the writing off of questionable asset items, but at the same time no change would be made in the retirement provisions on the preferred stock. Bank examiners would be allowed to consider stock on the basis of old, rather than curtailed, pars in appraising capital soundness.

Another item in the RFC's current business schedule is the Western Pacific loan. Jones said the Western Pacific's reorganization plan was now satisfactory and that the road would be advanced $10 millions for rehabilitation if the ICC approves the plan. RFC's stake in Western Pacific would thereby be raised to $13 millions.

Hogs Aren't Afraid Of the Big Bad Wolf

HOGS went on a boom of their own this week, with prices at new peaks for the period since September, 1930, and receipts at the principal Midwest markets running about half the customary quan-

tities for similar periods of the past three years.

Including the processing tax of $2.25, top hogs at Chicago went well above the $13 per cwt. mark, and in every important Western market prices exceeded $12.

The packing trade is afraid another spell of consumer resistance will develop. This happened in June and it took prices down appreciably from the top levels. But there is no help for it.

Although the feed problem is rapidly being corrected, hog population is low, and it is likely to be well into 1936 before appreciable increases are witnessed; consequently even a curtailed demand is sufficient to keep the market firm.

The Department of Agriculture is not at all sanguine about expansion of foreign outlets for hog products; but since our surplus is limited, not much concern is expressed over the facts that exports of pork during the first 8 months of the 1934-35 marketing season were 25% under the exports in the same period of the preceding year and scarcely more than a third of the 1925-29 average, and that lard exports in the 8 months were less than one-third of the exports in the same period last year, and less than one-fourth of the 5-year average.

Storage stocks of pork and lard on July 1 were the smallest on record for that date. It seems that pigs will stay high until there are more of them.

SEC Stands Pat

The SEC has been getting easier and easier on the sheep in its fold over a period of time, but it was indicated this week that it has gone as far as it will go in smoothing the path for foreign governments that have securities listed on our stock exchanges.

The time for filing for permanent registration by foreign corporations has been extended to Dec. 31, 1935, but the SEC says there will be no relaxation of the form in which registration is to be made. By this stand, the SEC may cause the loss of a few foreign governmental obligations on domestic exchanges, as the registration form calls for explicit accounts of expenditures and some of the governments may be shy about exposing the details of their expenses if the SEC should prove too curious.

SEC's activities at home, from the standpoint of getting listings for the exchanges, have more and more favored the New York Stock Exchange. This is shown by the increasing number of companies whose shares are moving over to the New York Exchange from other exchanges.

Since registration rules apply in the same manner to all exchanges, a number of listers have decided to move onto the most active market; hence Swift, Greyhound, Natomas, Pacific-American Fisheries, and others have appeared on the big board.

Some of those looking for a berth on the New York Stock Exchange are companies which in pre-SEC days would have been considered too small. Now, with SEC presumably able to prevent all corners, small capitalizations are not taboo as they once were.

Sugar Still Sour

Sugar refiners ran into disappointment late last week when a drastic slash in prices failed to produce expected business. The distributing and retail trades did not stock up with refined sugar to any perceptible degree even on the price concession of 35 points. Consequently when the price was brought back up 20 points on Monday, there was still dissatisfaction with market conditions, and another relapse began in the West.

Sugar has never completely recovered from the NRA decision, which caught the raw sugar market at a long-time peak. Declines from that point have never been recaptured, and nervousness has been the rule ever since. Last week the unsettlement was intensified by the Hoosac Mills decision.

Anything that spells possible trouble for the AAA gives the sugar trade nightmarish visions of the Jones-Costigan Act's blowing up, quotas automatically terminated, and thousands of tons of insular sugars flooding into a market that is now nicely adjusted to demand. All the way up from the retail trade, the industry is afraid to take any chance of getting caught with high-priced sugar in a suddenly freed market.

Hence buying is on a hand-to-mouth basis without deviation. Refiners this week learned that even bargain sales won't change the ruling attitude.

Old Home Week for Stutz

An old-time automobile name got into the news this week when the SEC began an investigation of a stock distribution of Stutz Motor Car Co. of America, in which several brokerage houses were alleged to have sold on the instalment plan a far greater number of shares than they had options for.

Stutz, an outgrowth in 1916 of the Ideal Motor Car Co., and once a common word in automobile circles, for the last 15 years has been controlled by Charles M. Schwab, chairman of Bethlehem Steel, has been through one reorganization, and has witnessed a severe slump in its place in the motor car industry. The company now manufactures Stutz cars and a light truck called Pak-Age-Car.

An option for about 30,000 shares of Stutz got into the hands of the instalment brokers, the market price doubled, sales were made considerably in excess of the option, the market dropped back, and the brokers bought in their short stock. Result—investors lost about $1 million.

Edward H. Schwab, brother of Charles M. Schwab and handler of many of the steel men's business affairs, appeared with Col. E. S. Gorrell, president, for the management. One of the accused brokerage house heads made things difficult for the SEC by refusing to testify, his attorney stating that he was unable to learn the nature of charges against him.

Editorially Speaking—

IMPORTANT medical discoveries often have an incidental offshoot in the form of new ideas for advertising men. That was the way with vitamins. Now Dr. I. H. Blank of Harvard announces a fresh discovery—sugar can be given a germ-killing power by exposure to ultra-violet rays. When food combinations are exposed to the rays, the other ingredients don't acquire the power of stopping the growth of germs; but sugar does.

Dr. Blank may have opened the way to a greatly increased understanding of how to use the rays in treating cancer and other diseases. Of course, that's a lot more important than anything the advertising men may do with the idea. Maybe they can't do anything with it. And on the other hand, maybe they will soon plunge into campaigns for the sale of germicidal sugar, fudge, molasses, or marmalade.

"MANY SLAIN IN RIOTS OVER IRAN HAT DECREE." There were headlines like this in many papers this week, and at first sight most readers thought the riots had something to do with iron hats—derbies. And they did, but not exclusively. Every soft hat of European style was also involved. The government of Iran (Persia) outlawed the Moslem fez and required the wearing of European hats. Priests incited their pious followers to attack anybody who obeyed the decree.

Iran, like Turkey, is trying to westernize itself in a hurry, building up its industries and its army to protect itself, as Turkey is protected, against attacks by western powers inflamed with a holy zeal to "civilize the heathen." Ethiopia hasn't westernized itself fast enough, and now look at it.

THE Alimony Reform League of New York State sent questionnaires to a couple of thousand women who had put their former husbands in jail for nonpayment of alimony. One of the questions was, "Are you satisfied now that your husband is in jail?" Nearly two-thirds said they were. There was another question, "How long would you like to have him remain there?" Forty-nine per cent of the women replied in terms that were startlingly similar, and not exactly original, the favorite formula being, "Until he rots to death." All of which leads the league to believe that many of these women are suffering "from some sort of psychosis bordering on sadism."

Probably they are. But the league is merely putting into modern and scientific terms the dramatist's old observation about a woman scorned. It's a safe bet that in most of these 2,000 cases, the divorce was caused by the husband's desire to marry again. Well, "heaven has no rage like love to hatred turned, nor hell a fury," etc. So let him stay there till he rots to death!

IN some of the American comment on the disgusting anti-Jewish "riots" in Berlin, there is a tendency to blame the Berlin people as being specially brutal. This is nonsense. Berlin, a city of more than 4 million, has proportionately as large a hoodlum element as any other metropolis, but no more.

Far from being one of Hitler's early strongholds, it succumbed to his campaign rather late. Even now he holds a grudge against it for being a little less ardently Nazi than other parts of the country are.

What took place in Berlin could take place anywhere else in the world, given the proper encouragement by the authorities. There were no riots. A riot is a disorderly outbreak. This thing was very orderly—a deliberate orgy of brutality, as methodical as the rest of Hitler's vicious proceedings. His storm troops were carefully stationed to lead the attack on men and women who had committed no offense whatever. The purpose was to divert the attention of the populace from their economic worries by giving them a taste of blood.

BRITAIN has a Guffey bill, too—though that is not its name. Our Guffey bill is intended to limit the production of bituminous coal, and one of the contemplated methods is to buy up marginal land and withdraw it from use, all producers being taxed to raise the necessary money. The British bill is intended to limit the production of cotton textiles.

It provides that a government board use £2 millions in the next 2 or 3 years to buy up 10 million spindles—one-fourth of all in the country. The money is to be recovered by levying a tax during the next 15 years on all remaining textile mills. Britain's Guffey bill provokes no outcry from conservatives; it is backed by the Conservative government, and it will probably pass.

JAMES CROMWELL, the conscientious young advertising man who married Doris Duke, is aware of his responsibilities. As the husband of the heiress to an enormous tobacco fortune, he has a duty to perform. Arriving in Hongkong with his bride after much roaming, he announces that they will return to this country by October because "there are a lot of things needing our attention, particularly the Roosevelt régime. Something has to be done about it, and people with money are the only ones who can check the present collapse into chaos."

Hold everything!

BUSINESS WEEK

The Journal of Business News and Interpretation

JULY 27, 1935

Better and Getting Better

We are now in the midst of another of those seasons in which business facts and business prospects are far more favorable than business sentiment. This is but partly owing to the time-worn fetish that business is always bad in the summer. If we look back over the record of the last five years, we shall see that business has made a point of feeling worst when its statistics and outlook were most promising. The experience of the early summer of 1933 seems to have been the only exception.

A trial balance of the statistics of the first half of 1935 leaves no room for doubt that our basic position is much stronger than it has been at any time since 1929. Correlating these figures with political and emotional values would seem to justify the conclusion that business not only is better but is getting better. There is abundant evidence to indicate a substantial improvement in business in the last half of the year.

If these conclusions were based on factors that might easily disappear, such as increases of 34% in automobile production, 25% in rural buying, 11% in farm income, 9% in factory payrolls, and 6% in power output, one might find sound reason to temper one's confidence in the business outlook for the ensuing six months. But when machine-tool orders increase by 47% in the first half of the year, it is a likely guess that those tools were bought to produce goods and employ men.

Federal government buying has been less important than was predicted, but $5 billions is not spent without some effect on purchasing power. Stocks of manufactured goods are at the lowest level since 1925, which was almost the apex of the period of hand-to-mouth buying that followed the commodity panic of 1920. In such a situation, purchasing power has its most direct and immediate effect on business turnover.

The political uncertainty probably accounts for most of the lethargy of this summer season. It is a reaction of weariness as much as fear. In this connection let us remember that we have been bedeviled by Congress and the Brain Trust during all of these last six months and yet have accounted for ourselves rather well. Renewed assurance that the courts will protect us from the worst of the Administration's schemes ought to give reason for confidence during the rest of the year, even though Congress makes good the improbable prediction that it will stay in session until Nov. 1.

Better business in the autumn seems inevitable, but for the dog-days the principal deterrent to business progress will be business timidity.

Open-Door Policy, Closed-Door Facts

Japan is resolutely shutting the Chinese open door, pushing us out of the market. Yet W. Cameron Forbes, former ambassador to Japan, former governor-general of the Philippines, and chairman of the American Economic Mission to the Far East, retains a rosy view. China offers us a great trade opportunity, he says. We could reasonably invest a lot of money there in transportation, public utilities, mining, and a number of other industries.

There is reason to suppose that Mr. Forbes' opinion has considerable support in our State Department, which privately did a good deal to facilitate the work of his unofficial mission in Asia. But on the same day that Mr. Forbes was speaking so reassuringly in New York, a Japanese embassy spokesman in Shanghai was indicating quite a different outlook.

He complimented Chiang Kai-shek, head of China's recognized government, on his "pro-Japanese attitude." The compliment was deserved, as Chiang most plainly will do anything Japan wants in order to retain his personal power. The embassy spokesman revealed that by the secret terms of the Tangku truce of 1933, "Japan has the right to establish not only civil aviation in China, but also several other enterprises, such as radio, telegraphs, and railroads."

And on the same day there was news from Peiping. A party of 24 Japanese business leaders had arrived there. Japan would start an aviation line in northern China. Japan was preparing a huge development of the coal fields in Shansi Province.

Japan is shutting the door on us. Some American investments in China, under exceptional circumstances, will be profitable; but a general venture of American funds into that vast and troubled country, as recommended by Mr. Forbes, would seem to be decidedly perilous.

Spending Money And Hiring Labor

It is still hard to sell the higher-priced cars, though the rest of the automobile business is improving splendidly. Sales managers declare people with money are afraid to show they have it. They are afraid their workingmen will demand more wages; they are afraid their poor relations will come running for a hand-out.

It is absurd that this timorousness, which began to show itself as far back as 1930, should still persist. It is a continuation of the fear-complex that reached its peak in the winter of 1932-33. It is bad business for the country. It hurts the capital goods industries, which use a much larger number of man-hours in their labor operations than other industries do.

The purchase of a high-priced car is a sure way of putting money into the workingman's pocket. When frightened multimillionaires live in the gatekeeper's lodge instead of the house, or keep the yacht laid up instead of sailing it, the inevitable and obvious result is unemployment. It is to the interest of labor to encourage the rich and the well-to-do to spend their money. High-priced cars are a suitable purchase for a great multitude of people in the middle-income brackets. They can afford to spend the money, and they should be encouraged to do so.

In advertising a high-priced car, why not point out specifically how many more man-hours it takes than a cheaper car? Why not advertise and emphasize that the buyer of a high-priced car is doing a good turn for labor and the whole country?

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